

ESSENTIAL MARKETING PRINCIPLES FOR NON-PROFIT ORGANISATIONS: VIEWS OF MARKETING MANAGERS

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**Thesis presented in fulfilment of the requirements
for the degree of
Master of Social Work
in the
Faculty of Arts and Social Sciences
at
Stellenbosch University**

The crest of Stellenbosch University is centered behind the text. It features a shield with a blue and white design, topped by a red and white crown-like structure with a cross on top. The shield is flanked by two red lions.

SUPERVISOR: PROF LK ENGELBRECHT

March 2017

DECLARATION

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ABSTRACT

The non-profit organisations in South Africa, as in the rest of the world, are facing major funding challenges. Non-profit organisations rely on a wide range of income sources such as government subsidy, grants from foundations, corporate support, individual giving, church contributions, fees, product sales and special events. However, NPOs are struggling to keep up with the decline in financial resources, the increase in the number of non-profit organisations and the mounting competition among NPOs. A funding crisis in the non-profit sector in SA was foreseen since the global economic crisis in 2008.

NPOs are in a sustainability crisis and marketing is one of the key elements to ensure sustainability. Marketing is critical to the success of every organisation, be it for-profit or non-profit organisations. Non-profit organisations are selling their organisation's mission, their ideas, their programmes and their services and they need to increase their income to fulfil their mission. Non-profit organisations do realise the importance of marketing for their survival, but they still lack understanding of the principles underlying the marketing concept and how to operationalise it.

The goal of the study was to determine the essential marketing principles for non-profit organisations as viewed by marketing managers. Permission to conduct the study was granted by the Research Ethics Committee for Human Research at the University of Stellenbosch.

A literature study was conducted to investigate the scope and size of the NPO sector, the funding challenges of NPOs, the need for marketing, and the essential marketing principles for non-profit organisations.

For the empirical study, the researcher identified 20 marketing managers who specifically have experience in working with or for non-profit organisations. A qualitative approach was deemed the most suitable in establishing the essential marketing principles according to marketing managers. Semi-structured, one-to-one interviews were conducted with the marketing managers in order to gather data on their views on essential marketing principles for non-profit organisations.

The results of this study mostly confirmed the findings from the literature study which showed that marketing is a necessity for NPOs and that all the identified marketing principles are essential for NPOs. It became evident that NPOs should become more market-oriented and that they should implement marketing strategies. From the responses from the participants, it was also apparent that a lack of marketing expertise as well as inadequate leadership and management skills are prevalent in the NPO sector.

Recommendations are aimed at developing the leadership, management and marketing skills of NPOs and applying the essential marketing principles.

Suggestions for future research are also made to address the accountability of NPO leadership, to develop a framework for market-orientated organisations and to delve deeper into the marketing principles for NPOs in order to develop a strategy for non-profit marketing. Further research is also suggested regarding more innovative business models for NPOs to ensure sustainability.

OPSOMMING

Die nie-winsgewende organisasies in Suid-Afrika, soos in die res van die wêreld, staan groot befondsings-uitdagings in die gesig. Nie-winsgewende organisasies maak op 'n wye verskeidenheid van inkomstebronne soos staatsubsidie, toekennings van stigtings, korporatiewe ondersteuning, individuele donasies, kerkbydraes, fooie, produkverkope en spesiale geleenthede staat. Tog sukkel nie-winsgewende organisasies om tred te hou met die afname in finansiële hulpbronne, die toename in die aantal nie-winsgewende organisasies en die toenemende mededinging tussen nie-winsgewende organisasies. 'n Finansiële krisis in die nie-winsgewende sektor in SA is sedert die wêreldwye ekonomiese krisis in 2008 voorspel.

Nie-winsgewende organisasies is in 'n volhoubaarheidskrisis en bemaking is een van die belangrikste elemente om volhoubaarheid te verseker. Bemaking is van kritieke belang vir die sukses van enige organisasie, of dit nou winsgewende of nie-winsgewende organisasies is. Nie-winsgewende organisasies verkoop die missie van hul organisasie, hul idees, hul programme en hul dienste en hulle het nodig om hul inkomste te verhoog om hul missie te vervul. Die nie-winsgewende organisasies beseef die belangrikheid van bemaking vir hul oorlewing, maar hulle het nie 'n begrip van die beginsels onderliggend aan die bemakingskonsep en hoe om dit te operasionaliseer nie.

Die doel van hierdie studie was om die noodsaaklike bemakingsbeginsels vir nie-winsgewende organisasies te bepaal, soos gesien deur bemakingsbestuurders. Toestemming om die studie uit te voer is deur die Etiese Navorsingskomitee vir Geesteswetenskaplike navorsing van die Universiteit van Stellenbosch toegestaan.

'n Literatuurstudie is gedoen om die omvang en grootte van die nie-winsgewende sektor, die befondsings-uitdagings van nie-winsgewende organisasies, die behoefte aan bemaking, en die noodsaaklike bemakingsbeginsels vir nie-winsgewende organisasies te ondersoek.

Vir die empiriese studie het die navorser 20 bemakingsbestuurders wat spesifiek ondervinding in die werk met of vir nie-winsgewende organisasies het, geïdentifiseer. 'n Kwalitatiewe benadering is gevolg in die vestiging van die noodsaaklike

bemarkingsbeginsels soos gesien deur bemarkingsbestuurders. Semi-gestruktureerde, een-tot-een onderhoude is met die bemarkingsbestuurders gevoer om data oor hul standpunte oor noodsaaklike bemarkingsbeginsels vir nie-winsgewende organisasies in te samel.

Die resultate van hierdie studie bevestig meestal die bevindinge van die literatuurstudie wat getoon het dat bemarking 'n noodsaaklikheid vir nie-winsgewende organisasies is en dat al die geïdentifiseerde bemarkingsbeginsels noodsaaklik is. Dit het duidelik geword dat nie-winsgewende organisasies meer markgerig moet word en dat hulle strategieë vir bemarking moet implementeer. Uit die antwoorde van die deelnemers het dit ook duidelik geword dat 'n gebrek aan bemarkingskundigheid, asook gebrekkige leierskap en bestuursvaardighede algemeen in die nie-winsgewende sektor voorkom.

Aanbevelings is gemik op die ontwikkeling van leierskap-, bestuurs- en bemarkingsvaardighede en die toepassing van bemarkingsbeginsels vir nie-winsgewende organisasies.

Voorstelle vir toekomstige navorsing word ook gemaak om die aanspreeklikheid van die nie-winsgewende organisasies se leierskap aan te spreek, 'n raamwerk vir mark-oriëntasie vir nie-winsgewende organisasies te ontwikkel en om dieper te delf in die bemarkingsbeginsels vir nie-winsgewende organisasies om sodoende 'n strategie vir nie-winsgewende bemarking te ontwikkel. Verdere navorsing in die ontwikkeling van meer innoverende besigheidsmodelle vir nie-winsgewende organisasies om volhoubaarheid te verseker, word ook voorgestel.

Dedicated to all the non-profit organisations struggling to survive.

“A strong non-profit name explains or suggests the non-profit mission,
communicate an emotion, lodges the brain,
and ideally compels an action”

GWYNETH DWYER

ACKNOWLEDGEMENTS

I would like to acknowledge and convey my sincere gratitude to the following people:

- Prof Lambert Engelbrecht, my supervisor at the Stellenbosch University, thank you for excellent guidance and support.
- Debbie Human, lecturer and a dear friend who opened the world of marketing to me and inspired me to do this study.
- My dear family, thank you for always believing in me, supporting me and for all the love, joy and laughter you bring into my life.
- All my colleagues at Badisa, thank you for being part of your team who are dedicated to serve people in need.
- Mrs Michele Boshoff for your professional and meticulous language editing.
- Mrs Connie Park for outstanding technical care of this document.
- Most importantly I would like to send my heartfelt thanks to the participants of this study for sharing their marketing views and their valuable time with me.

And all honour and glory to my Heavenly Father for providing me the opportunity and the ability to complete this study.

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CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 MOTIVATION FOR THE STUDY

Non-profit organisations (NPOs) in South Africa, as in the rest of the world, are facing major challenges, such as the increase in corporatisation and the competition among these organisations for funding. Non-profit organisations are bodies of associates that are founded to respond to a need in the community with the purpose to create value for society without generating profit in the process (Mahmoud & Yusif, 2012:626). According to Tabaku and Mersini (2014:67), non-profit organisations are important to society, because they provide essential services that are not provided by the government or for-profit organisations.

There has been an increase in the number of NPOs globally (Ito & Pilot, 2015:1). According to Stuart (2013), the needs of people gave rise to the expansion of non-profit organisations not only in South Africa, but also in the rest of the world. In the United States, for example, the total giving by individuals or businesses of NPOs in 2009 amounted to \$295 billion while 26.7 per cent of all adults volunteered at NPOs (Keller, Dato-on & Shaw, 2009:105-106). Stuart (2013) reports that in South Africa alone, there are 100 000 registered non-profit organisations and approximately another 50 000 unregistered organisations. In 1994, South Africa had approximately 2 000 registered NPOs (Feuk, 2011:1). These figures are an indication of the rapid growth in the non-profit sector in South Africa. Macedo and Pinho (2006:533) describe this trend as an “associational revolution”.

According to Weideman (2012:30), the non-profit sector is currently in the fourth stage of development since the American Revolution, namely the competitive market stage. The first stage was the voluntary and/or civic stage that persisted in the US until the early years of the 20th century. This stage was characterised by services that the government did not provide, and that people could not provide either. The philanthropic support stage was the second stage, when wealthy individuals provided the resources that were needed for especially education and cultural activities. During the rights and

entitlements stage, civic groups demanded the financial support from government for services provided by civil society. Since 1996, non-profit organisations have progressed to the fourth stage, namely the competitive market stage, which is characterised by increased competition for public support among voluntary organisations. Feuk (2011:1) also confirms that the continuous growth of non-profit organisations has resulted in fierce competition among them to secure funds from donors. Marketing and fundraising have thus become a major challenge for the management of NPOs (Nagoya University of Commerce and Business Global Non-profit Management Team, 2013:8).

After apartheid, South Africa had to adapt to a new political, economic and cultural environment. The government adopted a neo-liberal economic model that dictates that the state withdraw from the social sector to free the market from all constraints, leaving civil society to organise their own social and economic reproduction. This left the government with less responsibility, especially pertaining to social support (Stuart, 2013). Furthermore, the government is relying increasingly on the non-profit sector for social service delivery, which has led to an increase in the number of NPOs, without them having adequate funding or resources. According to Weideman (2012:48), the state and the non-profit sector have established a new legal and policy framework to manage the relations between state and civil society since 1994. The system contains three key elements, namely the Act that provides tax exemptions to the private sector to increase their donations to the NPO sector, the National Lottery and other funding structures, and the incorporation of NPOs into decision-making processes of government.

Non-profit organisations in South Africa are regulated by the Non-profit Organisations Act No. 71 of 1997. This Act stipulates the environment in which non-profit organisations can exist and the administrative and regulatory framework in which they can function and do fundraising (Western Cape Government, 2016).

Non-profit organisations in South Africa are registered with the NPO Directorate in the National Department of Social Development. An NPO can be a trust, a company or any other association of persons with a public purpose and that does not function for profit. There are different types of NPOs in South Africa, which include the following:

- Non-governmental organisations (NGOs)
- Community-based organisations (CBOs)
- Faith-based organisations (FBOs)
- Organisations that have registered as Section 21 Companies under the Company Act No. 61 of 1973
- Trusts that have registered with the Master of the Supreme Court under the Trust Property Control Act No. 57 of 1988
- Any other voluntary association that is not profit-oriented.

Although the registration of an NPO in SA is voluntary, it gives the organisation some legitimacy if they are registered. The majority of donors require an NPO certificate from the NPO to be compliant for funding. To retain such registration, NPOs have to submit their annual reports to the Nonprofit Organisations Directorate of the Department of Social Development and they must be compliant with the Code of Good Practice (Western Cape Government, 2016). That is why, in 2013, there was pandemonium in SA when the Department of Social Development de-registered 36 488 of the more than 100 000 registered non-governmental organisations. According to the government, these organisations were non-compliant as they did not submit their annual and financial reports. It implicated that they were unable to apply for funding. The NGOs did not agree, stating that it was a cover-up from the Department for their inadequate processes (Stuart, 2013).

Nevertheless, the NPOs developed strong relationships with the public and corporate sector in creating more innovative funding models and strategies for resource mobilisation. This relationship with the corporate sector has led to what is referred to as 'managerialism', which means that the NPOs need more streamlined managerial structures and a higher degree of professionalism. The NPOs also have to manage their organisations according to sound business principles to be compliant with the Codes of Good practice, which is the equivalent of the King III principles in the private sector. The Code's principles relate to, amongst others, strategic management, monitoring and evaluation, and management skills. A growing need for competent managers in the non-profit sector has thus emerged (Cornuel & Kletz, 2011:483-491). This need can be observed in the increase of management courses for NPOs at business schools over the past 10 years worldwide. A 79 per cent increase in these

courses between 2005 and 2007 was noted due to the non-profit turn and the constant expansion of the non-profit sector throughout the world. Stuart (2013) refers to this trend as a “new generation of non-profit organisations”.

Any NPO in South Africa that provides developmental welfare services can apply for subsidy or programme funding from the Provincial Department of Social Development. However, according to the National Coalition for Social Services - which represents 3 000 welfare organisations in South Africa - the NPOs provided 70 per cent of the statutory welfare services, while the state allocated only 10 per cent of the welfare budget to them (Molefe, 2012:90). The inadequate funding from government is thus one of the major challenges faced by the non-profit sector in South Africa, along with the global recession and those NPOs that have become more corporate-oriented (Stuart, 2013). Molefe (2012:90) adds that the funding crisis in the non-profit sector in SA was also foreseen as a result of the global economic meltdown in 2008.

Furthermore, the NPOs experience a capacity crisis and a high staff turnover as staff members are leaving the non-profit sector for better salaries in government structures. At the same time, foreign donors are channeling their donations towards government and not to the NPOs. As mentioned before, the key challenges faced by the majority of NPOs in SA include the decrease in government funding, an unsupportive welfare system, a lack of adequate corporate and individual sponsors, and the increase in competition for financial contributions, employees and volunteers (Keller, Dato-on & Shaw, 2009:105-106). The above obstacles have resulted in the closure of many NPOs, especially the informal organisations.

The question arises on how management can ensure the sustainability of NPOs amidst all these challenges (Morris, Coombes & Schindehutte, 2007:12). According to the resource dependency theory, the survival of organisations depends on their ability to acquire and maintain resources in an environment of scarcity and uncertainty. This theory serves as an important theoretical tool to understand market-orientation strategies of NPOs (Macedo *et al.*, 2004:549). Chauke (2013) believes that non-governmental organisations should consider becoming social enterprises to ensure their long-term sustainability. Entrepreneurship in non-profit organisations is generally approached from a social entrepreneurship perspective. The term ‘social entrepreneurship’ refers to any entrepreneurial actions by NPOs such as social

innovations or for-profit ventures to cross-subsidise non-profit activities. Both an entrepreneurial orientation and a market-driven orientation have proved to contribute to the sustainability of for-profit organisations. The findings of a study by Morris, Coombes and Schindehutte (2007:12), suggest that an entrepreneurial orientation is also important for NPOs, but that it is at the same time much more complex than it is for profit-seeking organisations. It was also found that non-profit organisations with a strong market orientation towards their clients are also more entrepreneurial. To this end, Tabaku and Mersini (2014:66-70) aver that NPOs have to adopt the concept of marketing to ensure that they gain adequate resources to render their services in accordance to their mission and goals. There is, however, a relationship between an entrepreneurial orientation and a market orientation.

The term 'market orientation' derives from the marketing concept, described by Kotler and Armstrong (2010:687) as "the marketing management philosophy that achieving a firm's goals depends on knowing the needs and wants of target markets and delivering the desired satisfaction better than competitors do". The organisations that are market-oriented will be customer-oriented, competitor-oriented and implement and co-ordinate their marketing activities in all the functions of the organisation (Bennet, 2005:465, cited in Feuk, 2011). For an organisation to be market-oriented means that they have to apply organisational skills to understand and satisfy their customers (Mahmoud *et al.*, 2012:627). To ensure a market orientation, according to Vázquez, Álvarez and Santos (2001:1041), organisations must develop a market-orientation culture, have the commitment of their management, formalise communication and activity processes, decentralise decision-making processes and reward staff for adapting marketing principles. According to Weideman (2012:49), marketing that has a consumer orientation has proved to be useful for non-profit organisations. An organisation needs a market orientation to develop a fundraising model in the context of marketing (Dorenkamp & Buber, 2008:13). Mahmoud and Yusuf (2012:624) concur by saying an organisation can achieve a competitive advantage by changing the organisation to be more market-oriented.

Already in 1969, Kotler and Levy published an article in which they proposed that the concept of marketing be broadened to include non-business organisations. They suggested that these organisations also had products and customers and therefore

performed the equivalent of marketing activities (Weideman, 2012:103). But Helmig, Jegers and Lapsey (2004:1) are of the opinion that marketing in non-profit organisations differ from marketing in for-profit organisations, in that non-profit organisations have to market their services or products to a variety of target groups. The different target groups in a non-profit organisation refer to beneficiaries, donors, volunteers and staff members (Tabaku *et al.*, 2014:70).

In 1971, Kotler and Zaltman introduced the concept of 'social marketing' (Tabaku *et al.*, 2014:72). Social marketing is described by the authors as "the adaptation of commercial marketing technologies to programs designed to influence the voluntary behaviour of target audiences to improve their personal welfare and that of society". The most significant development in current social marketing is that marketers have started to accept that the primary objective of social marketing is not the promotion of ideas, but the influencing of behaviour instead. This makes it unique in the broader marketing field because social marketing relates to behaviour change rather than profit-making as its bottom line and is purely customer-driven (Weideman, 2012:103). Social marketing has replaced the initial approach to marketing, with at least four elements being added (Weideman, 2012:72). The first of these is marketing research, which is necessary to find out more about the market and the effectiveness of the different marketing approaches. The second element is product development, where the marketer searches for the best product to meet the need, i.e. a product approach. The third element is the use of incentives to increase the level of motivation, and the fourth and last element is that of facilitation: marketers are not only concerned with changing behaviour but also in facilitating the continuation of the behaviour.

With the increasing competition for donations and the changing views of the nature of marketing, there is a greater acceptance for marketing in the non-profit sector. The non-profit organisations in South Africa are aware of the importance of marketing to survive the challenges in the sector. Non-profit managers also realise that marketing is critically important to influence donors to donate and volunteers to become involved (Tabaku & Mersini, 2014:66-70). Studies on fundraising for NPOs have shown that the increased levels of competition for donations have led to the implementation of marketing philosophies and the use of marketing techniques (Weideman, 2012:103). Charities have only recently started to embrace marketing concepts such as a

marketing orientation, segmentation, customer relationship marketing, loyalty and branding (Hassay & Pelozo, 2009:25).

Donations can be improved by implementing effective marketing strategies. The strategy for marketing should be designed to fit the donor market, and not the beneficiaries. Non-profit organisations need to attract donors, and be more professional in their fundraising. They need to cultivate relationships with their donors and they need to know why their donors support them, what is important to their donors and how the donations should be applied. These factors should be the starting point in designing marketing and fundraising campaigns if NPOs wished to be successful in attracting and maintaining donor support (Weideman, 2012:18).

Non-profit organisations should harness the knowledge available in the marketing field to meet the demands in the competitive environment (Weideman, 2012:19, 79). However, they still lack the understanding and expertise that could enable them to implement these marketing strategies (Weideman, 2012:79). In a study which considered the transferring of marketing knowledge to the non-profit sector, it was found that the role of marketing is growing in non-profit organisations (Andreasen *et al.*, 2005, cited in Weideman, 2012). Non-profit organisations want to control their own financial destinies. The non-profit organisations have learned more about the value of marketing through cause-related marketing partnerships between corporate companies and non-profit organisations. Non-profit organisations experience pressure to adopt more of the management approaches used in the commercial world and the non-profit sector has a significant number of large organisations that can afford to budget for marketing positions and programmes. Conversely, it often happens that marketing is not given its own department in non-profit organisations, and CEOs and other persons in leadership positions do not have a clear marketing perspective. No organisation can avoid marketing, but they have the choice whether or not to do it well. According to the Nagoya University of Commerce and Business (NUCB) Global Non-profit Management Team (2013:10), only a small proportion of non-profit organisations engage in any kind of strategic marketing, including market research. Secondly, only a small proportion of staff members in non-profit organisations who work in the marketing field are actually trained in marketing. Only 18 per cent have studied marketing at university level. Using the broadest possible definition of training, only

about one-fifth of the marketing staff members in the non-profit organisations have been trained.

The preceding literature exposition revealed the reasons, importance and necessity of marketing in NPOs, but it also revealed that the NPOs do not necessarily have the knowledge or expertise to implement effective marketing strategies to attract the donor market. Therefore, it would be important to establish essential marketing principles for non-profit organisations to guide non-profit managers in the challenge of managing sustainable organisations.

1.2 PROBLEM STATEMENT

According to Tabaku and Mersini (2014:66), many NPOs experience a scarcity in resources due to the increase in non-profit organisations and the decrease in donations. Furthermore, donors have less disposable income as a result of the global recession. The funding from government is inadequate, organisations are more corporate-oriented and international donors are channelling their funds to government. The continuous growth of non-profit organisations has thus led to fierce competition among the NPOs to raise funds from donors.

Tabaku and Mersini (2014:78) also established that 90 per cent of the NPOs who participated in their research agreed that marketing was important, but only two of them had marketing departments, while the majority did not have a marketing and communication strategy or plan in place. The researchers also point out that the majority of these NPOs were dominated by an organisational-centred mindset and were not market-oriented. They did not understand what marketing principles are, and only focused on advertising, fundraising and public relations instead.

Organisations should implement effective financial management to ensure sustainability (Engelbrecht & Theron, 2003:2-18). This implies enhancing the income from venues other than the government by marketing their services intentionally to potential funders. Dorenkamp and Buber (2008:3) also concur that NPOs have to make more market-oriented managerial decisions in order to develop financial resources other than government funding.

Although researchers agree that marketing of NPOs is essential, it is still debatable whether or not the for-profit marketing principles are applicable to NPOs, and research in this field is limited (Brady, Brace-Govan, Brennan & Conduit, 2011:85). The differences between non-profit marketing and business marketing are that non-profit marketing focuses on a variety of constituencies, non-financial objectives and service delivery. Brady, Brace-Govan, Brennan and Conduit (2011:85) also argue that considering the competition in the non-profit sector, social marketing can be an option for NPOs. According to Tabaku and Mersini (2014:71), social marketing is the “adaptation of commercial marketing technologies to programs that will have an effect on the behaviour of target markets to improve the welfare of individuals and society”.

A study conducted by Pope, Isley and Asamoah-Tutu (2009:184) conclude that NPOs should prioritise the importance of marketing. The researchers emphasise that NPOs do not understand the real functions of marketing and branding, and that they do not know how to reach their target markets.

Based on the preceding motivation of this study and the problem statement, the following primary research question was formulated:

- What are the essential marketing principles for NPOs, according to marketing managers?

Based on this primary research question, the following secondary research questions were considered:

- What are the requirements, nature and scope of NPOs that contribute to the need for the marketing of these organisations?
- Which theories of the essential marketing principles would guide the marketing of NPOs?

1.3 AIM OF THE RESEARCH

The aim of the study is to gain an understanding of the essential marketing principles for non-profit organisations from the marketing managers' perspective.

1.4 OBJECTIVES

In order to address the research questions of the study, the following objectives were formulated:

- to describe the requirements, nature and scope of NPOs and the need for the marketing of these organisations;
- to analyse the theories of essential marketing principles when marketing NPOs;
- to empirically investigate what marketing managers view as essential marketing principles in an NPO context, and how these principles should be employed; and
- to draw conclusions and recommendations regarding the employment of the essential marketing principles in NPOs.

1.5 CONCEPTS AND DEFINITIONS

1.5.1 Non-profit organisation

Macedo *et al.* (2004:535) describe a non-profit organisation as follows:

A non-profit organisation is defined as a body of individuals who associate for any of three purposes:

- to perform public tasks that have been delegated to them by the state;
- to perform public tasks for which there is a demand that neither the state nor for-profit organisations are willing to fulfil; or
- to influence the direction of policy in the state, the for-profit sector, or other NPOs.

Macedo *et al.*(2004:535)

1.5.2 Civil society

Anheier (2004) describes that modern civil society “is the sum of institutions, organizations, and individuals located between the family, the state, and the market, in which people associate voluntarily to advance common interests”. This infrastructure is provided by the non-profit sector.

1.5.3 Marketing

According to Kotler and Armstrong (2010:688), marketing is the “process by which firms create value for customers and build strong customer relationships in order to capture value from customers in return”.

1.5.4 Marketing management

Kotler *et al.* (2010:688) refers to marketing management as “the art and science of choosing target markets and build profitable relationships with them.

1.5.5 Market orientation

According to Macedo *et al.* (2004:535), market orientation denotes the “implementation of the marketing concept”.

1.5.6 Marketing concept

“The marketing management philosophy that achieving a firm’s goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do” (Kotler *et al.*, 2010:687).

1.5.7 Marketing principles

Marketing principles refer to “[those] ideas that form the widely agreed upon basis of most product promotion strategies. Most businesses use a variety of marketing principles in order to optimize the market performance of existing products and to successfully launch products into a new market” (Business Directory, 2016).

1.6 RESEARCH METHODOLOGY

1.6.1 Research approach

A qualitative research approach was used in this study to determine the essential marketing principles for non-profit organisations as viewed by marketing managers. De Vos, Strydom, Fouché and Delport (2011:64) explain qualitative research as follows:

Qualitative researchers often start with general research questions rather than specific hypotheses, collect an extensive amount of verbal data from a small number of participants, organise those data in some form that gives them coherence, and use verbal descriptions to portray the situation they have studied.

De Vos *et al.* (2011:64)

Qualitative research is about people's perceptions of the social world, and not about numerate statistical data. The premise is thus to understand people's social intentions to completely understand the social world (Miller & Brewer, 2003). The strengths of the qualitative research method are thus the approach of the inductive inquiry strategy, and the fact that there are no pre-determined hypotheses (Patton, 2002 cited in De Vos *et al.*, 2011:5). Therefore, a qualitative approach was deemed the most suitable in establishing the essential marketing principles according to marketing managers.

1.6.2 Research design

For the purpose of this study, the researcher used both an exploratory and a descriptive research design. According to De Vos *et al.* (2011:95), the aim of exploratory research is to "gain insight into a situation, phenomenon, community or individual", answering the "what" question. The descriptive research design "presents a picture of the specific details of a situation, social setting or relationship" and focuses on the "how" and "why" questions. Exploratory research is typically used in studies to gain an understanding of a certain situation where there is little information available. The descriptive research will discover the deeper meaning of the phenomena at hand. This study used both research designs to first gain insight into the need for marketing of non-profit organisations, and secondly, to determine which essential marketing principles are applicable to NPOs.

1.6.3 Sampling

De Vos *et al.* (2011:390-391) note that the use of sampling in qualitative research is less structured, because the methods of observation and interviewing can be unstructured. The researcher used the purposive sampling method as one of the non-probability sampling techniques to collect the widest and most diverse range of information as possible.

Kolb (2008:113) explains that purposive sampling takes more time and effort, because fewer participants are required for qualitative research, but only the most suitable participants must be selected. This type of sampling is actually very judgemental, because the researcher will decide which participants have the best representation or attributes to serve the purpose of a study (De Vos *et al.*, 2011:392).

In the case of this study, the researcher identified 20 marketing managers who specifically had experience in working with non-profit organisations. The marketing managers were identified and contacted telephonically after which an interview time and location was scheduled with the participants. Semi-structured, one-to-one interviews were conducted with the marketing managers in order to gather data about essential marketing principles for non-profit organisations.

A pilot study in qualitative research can be most valuable. The researcher can test the questions, form relationships with the respondents, estimate the time and cost of the study, and establish effective communication (De Vos *et al.*, 2011:395). As a result, the researcher first did a pilot study by testing the formulation of the questions, and the timeframe for the interviews, with two marketing managers with whom the researcher had a working relationship.

1.6.4 Instrument for data collection

The researcher conducted semi-structured one-to-one interviews to collect data for this study. Interviewing is the predominant method of data collection in qualitative research (De Vos *et al.*, 2011:342).

“Researchers use semi-structured interviews in order to gain a detailed picture of a participant’s beliefs, perceptions or accounts of a particular topic” (De Vos *et al.*, 2011:35). Furthermore, semi-structured interviews give flexibility to the researcher to follow-up on certain aspects that may emerge in the interviews, especially when dealing with complex issues. The interview schedule is a questionnaire with useful questions that are carefully formulated and structured to address the purpose of a study. The questions are based on the literature review.

In this study, the semi-structured interviews consisted of predetermined questions (Appendix B) to guide the interviews, but these questions did not dictate the interviews

(De Vos *et al.*, 2011:352). The researcher recorded the interviews and took field notes to minimise the loss of data and to document impressions.

1.6.5 Data analysis

According to De Vos *et al.* (2011:400), qualitative analysis refers to the “non-numerical examination and interpretation of observations, for the purpose of discovering underlying meanings and patterns of relationships”. The following aspects are furthermore important in qualitative analysis:

- there are multiple ways to do qualitative analysis and it must be clear from the start of the research;
- there is a need for researchers to gain more information on how to conduct qualitative research;
- it is an ongoing process of asking questions and exploring the collected data;
- it is a process of working with the data informally in the beginning, progressing to more formal strategies; and
- computers can be used in qualitative data analysis to assist the researcher.

Considering these aspects, the researcher documented all actions and thoughts from the start of the research and transcribed the text of the recorded interviews in detail. The researcher then identified themes and critically evaluated all the data to consider the meanings of words and to compare the data. This ‘twofold approach’ in qualitative research proved to be very useful. Data were analysed in the field during data collection, as well as in the more formal environment of an office to sort, retrieve and handle the data during and after data collection (De Vos *et al.*, 2011:405). Qualitative research also results in a huge volume of information, and to organise and analyse the data is an intensive procedure. Furthermore, the transcribing of the interviews and notes is an important part of the transition between data collection and data analysis (De Vos *et al.*, 2011:408). The interviews were transcribed by the researcher, all data were saved and the sorting of the data were done manually in terms of themes, sub-themes and categories.

1.6.6 Data verification

According to De Vos *et al.* (2011:419), the following criteria are appropriate in establishing the truth in qualitative research:

- *Credibility and authenticity*

The purpose of credibility is to ensure that the inquiry for a study is conducted in such a manner that the participants are accurately identified and described. The researcher of this study numbered the participants as Participant 1 - 20 and made use of prolonged engagement, constant observation, and qualitative methods and techniques to increase the credibility of the research (De Vos *et al.*, 2011:420).

- *Transferability*

The question to be asked is whether the findings of the research can be transferred or generalised to other situations. This is a challenge in qualitative research due to the fact that only a small sample is normally used in this type of research. According to De Vos *et al.* (2011:420), these challenges can be countered by referring back to the theoretical framework and to triangulate multiple sources of data.

- *Dependability and reliability*

The researcher must ensure that the research process is logical, well-documented and audited (De Vos *et al.*, 2011:420). The researcher must also attempt to account for changing conditions of the phenomenon, because the assumption in qualitative research is that the social world is continuously changing.

- *Conformability*

The question to be asked is whether the findings of a study can be confirmed by another study. The evaluation is removed from the researcher and is placed on the data itself (De Vos *et al.*, 2011:421).

- *Reflexivity*

Reflexivity has become an even more important criterion in qualitative research than the other four criteria mentioned (De Vos *et al.*, 2011:422). In this study, the researcher

was in a marketing position at an NPO during the research, and had to turn a critical eye on herself as being both the author and interpreter, to enhance the trustworthiness of the findings and outcomes of the study. The researcher also reflected about her influence on the participants and the research process.

1.7 ETHICAL CLEARANCE

De Vos *et al.* (2011:114) provide the following definition of ethics:

Ethics is a set of moral principles which is suggested by an individual or group, is subsequently widely accepted, and which offers rules and behavioural expectations about the most correct conduct towards experimental subjects and respondents, employers, sponsors, other researchers, assistants and students.

De Vos *et al.* (2011:114)

The researcher of the present study is a professional social worker, registered at the South African Council for Social Services Professions (SACSSP), and therefore the research was conducted according to the Council's Professional Code of Ethics. The researcher also gained permission from the Ethical Screening Committee (DESC) for Human Research (Humanities) of Stellenbosch University to conduct the research.

The following ethical issues were relevant in this research:

1.7.1 Avoidance of harm

One of the most important ethical rules in conducting social research is to cause no harm to any participants (De Vos *et al.*, 2011:115). In conducting this research, the researcher was aware of the fact that the respondents were employees of organisations and that the information they gave should not jeopardise their positions in their workplace.

1.7.2 Voluntary participation

The participants of this study participated on a voluntary basis. If marketing managers of the same organisation where the researcher worked, were interviewed, they were not obliged to participate. The researcher also ensured the participants of their

anonymity and their choice to participate or not, without affecting their position in the workplace.

1.7.3 Informed consent

According to De Vos *et al.* (2011:117), informed consent implies that the objectives of a study, the duration, procedures, possible risks and the credibility of the researcher should be communicated clearly to the participants. In this study, written informed consent of participants was obtained (Appendix A). The researcher also made sure that these consent documents were kept safe and private.

1.7.4 Privacy, anonymity and confidentiality

According to the Protection of Personal Information Act No. 4 of 2013, any personal information of people should be protected against the illegal gathering, storage or usage of information that can be discriminating to them. People have the right to privacy, anonymity and confidentiality (Mouton, 2008:243). The researcher ensured that all the participants' personal information remained private, confidential and anonymous. This assurance contributed to them sharing information about marketing strategies, even though the marketing strategies of companies and/or organisations are often highly confidential due to the competitive environment.

1.7.5 Publication of the findings

According to Mouton (2008:242), researchers have the obligation to report their findings in a "full, open and timely fashion" manner. The researcher of the present study gave the assurance that the research findings would be made available to the participants and to the public.

1.8 LIMITATIONS OF THE STUDY

Certain limitations were identified:

- The study was done in only one province, namely the Western Cape. The findings can therefore not be generalised.
- A relatively small sample was used, and therefore the findings cannot be generalised.

The aim of this study was not necessarily to generalise, but to understand the views of marketing managers on the essential marketing principles for NPOs.

1.9 PRESENTATION OF THE STUDY

This study is structured in the following five chapters:

- Chapter One comprises the introduction to the study and how the study was executed;
- Chapter Two describes the requirements, nature and scope of NPOs and the need for the marketing of these organisations;
- Chapter Three analyses the theories of essential marketing principles for NPOs;
- Chapter Four presents the empirical investigation of the views of marketing managers on the essential marketing principles that are applicable in an NPO context, and how these marketing principles should be employed;
- Chapter Five provides conclusions and recommendations regarding the employment of essential marketing principles for NPOs. It also offers suggestions for future research.

CHAPTER 2

THE REQUIREMENTS, NATURE AND SCOPE OF NPOs AND THE NEED FOR MARKETING OF THESE ORGANISATIONS

2.1 INTRODUCTION

As mentioned in Chapter One, non-profit organisations (NPOs) in South Africa experience a funding crisis and the question is what role marketing can play to overcome this crisis. Apart from the funding crisis, other major challenges include the increase in corporatisation and the mounting competition among NPOs to obtain funding, as referred to by Mahmoud and Yusif (2012:626). Although many NPOs are struggling to survive, they must find a way to be sustainable because of their valuable role in society.

This Chapter will give an overview of NPOs in SA, as well as in the rest of the world. It will also discuss the various definitions of what an NPO constitutes, and the regulatory requirements that serve as the legal framework for the establishment and existence of NPOs. A discussion of the nature and scope of NPOs will provide a deeper understanding of how NPOs developed over the years to its current status in SA. The reasons and necessity of marketing in non-profit organisations will also be considered.

2.2 DEFINITION OF A NON-PROFIT ORGANISATION

There are a few definitions in the literature of what is meant by non-profit organisations, although Tabaku and Mersini (2014:66-83) are of the opinion that there is no widely acceptable definition for the non-profit sector. According to these authors, there are only certain characteristics that distinguish the non-profit sector from other sectors.

According to the Non-Profit Organisations Act in South Africa, a non-profit organisation is "... a trust, company or other association of persons established for a public purpose and of which the income and property are not distributable to its members or office-bearers, except as reasonable compensation for services rendered" (Department of Social Development, 2016). The Development Resource Centre describes NGOs as

“private, self-governing, voluntary, non-profit distributing organisations operating, not for commercial purposes but in the public interest, for the promotion of social welfare and development, religion, charity, education and research (Swilling & Russel, 2002:7). In the study of Macedo and Pinho (2006), non-profit organisations are referred to as bodies of individuals who associate for the purpose of performing public tasks delegated by the state, or because there is a demand that is not fulfilled by the state or for-profit organisations, or to influence the policy of the state.

The most important characteristics of an NPO are that their mission is built around the service they render and that they do not distribute any profit to anyone. There are different types of NPOs and they are specifically established for public purposes and not for commercial purposes. They fulfil a need in society that is not met by government or the for-profit organisations. According to Feuk (2011), NPOs have a cause that they work for or a special field in which they specialise and they often depend on volunteers to do the work.

We can conclude this section with the following definition by Mahmoud and Yusif (2012:626), namely that NPOs are “bodies of associates that are founded to respond to a need in the community with the purpose to create value for society and without generating profit”. In this study, we will also refer to non-profit organisations (NPOs) interchangeably as ‘civil society’, ‘third sector’, ‘voluntary sector’, ‘non-governmental organisation’ (NGO), ‘charities,’ and the ‘independent sector’. This brings us to the important role of NPOs in society.

2.3 THE IMPORTANT ROLE OF NPOs IN SOCIETY

The definitions in the previous paragraph clearly state that NGOs are representatives of civil society and therefore they play an important role to ensure a vibrant and democratic society. Non-profit organisations are responsible to hold the state accountable and to keep a watchful eye on the corporate sector. At the Non-profit Organisations’ (NPO) Summit in 2012, hosted by the Department of Social Development, President Jacob Zuma gave credit to the sector’s growth since 1994 to an active civil society that provided essential services. He emphasised the value of NPOs in the country’s future economy and social well-being of all South Africans. He also urged government, the private sector and civil society to join hands to eradicate

poverty as envisaged in the National Development Plan 2030, and vowed that the government doors would be permanently open to NPOs.

According to Gastrow (2013), South Africa's civil society consisted of approximately 100 000 non-profit organisations in 2013. Some of these organisations are membership-based and represent their respective communities, while others have been established by individuals or groups who are passionate about a specific cause. Section 18 of the SA Constitution (Department of Justice, 2016) gives individuals the right to free association and freedom of expression. It refers to the rights and freedom of citizens to act independently and to come together to take care of societal issues (Gastrow, 2015).

According to Tabaku and Mersini (2014:67), non-profit organisations are important to society, because they provide essential services that are not provided by the government or for-profit organisations. In the next section, the regulatory requirements of NPOs in SA are considered, to provide a clearer picture of the legal framework in which they function.

2.4 REGULATORY REQUIREMENTS FOR NPOs IN SA

Non-profit organisations in South Africa are regulated by the Non-profit Organisations Act No. 71 of 1997 (Department of Social Development, 2016). This Act provides the environment in which non-profit organisations can exist and the administrative and regulatory framework in which they can function and do fundraising. The Act rules that the registration of all non-profit organisations that are not run by the state should be voluntary and not only certain named organisations, as was the case with the Fundraising Act No. 107 of 1978 (Southern African Legal Information Institute, 2016).

Although the registration of an NPO in SA is voluntary, a non-profit organisation can only do fundraising if it is registered. The government and the majority of donors require an NPO certificate from an organisation to be compliant for funding. The Tax Laws Amendment Act, 43 of 2014 promulgated in mid-2000, also requires that all Public Benefit Organisations (PBOs) should register as NPOs before being eligible for tax exemption (South African Government, 2016).

As indicated in the definitions, an NPO can be a trust, a company or any other association of persons with a public purpose that does not function for profit. There are different types of NPOs in South Africa.

According to Wyngaard (2012), a voluntary association is the most popular legal entity through which an NPO in South Africa can be established, because it is quick, inexpensive and easy. The NPO Directorate has reported that 95 per cent of the organisations that are registered as voluntary associations. Wyngaard (2012) is of the opinion that voluntary associations are the ideal legal vehicle for community-based organisations.

The registration process of non-profit organisations in South Africa is done with the NPO Directorate in the National Department of Social Development. In the 2010/2011 financial year, the Directorate received 15 264 applications from organisations that wanted to register as NPOs, representing a 14 per cent increase from the previous year (Wyngaard, 2012). In order to retain the registration from year to year, the NPOs have to submit annual reports to the Directorate and be compliant with the Code of Good Practice. A major upheaval occurred in SA in 2013 when the Department of Social Development de-registered 36 488 of the more than 100 000 registered NGOs. The Government said these organisations were non-compliant as they did not submit their annual and financial reports, and were therefore not allowed to apply for funding. In their defence, the NGOs blamed the Department for covering-up its own inadequate processes (Stuart, 2013). However, Clause 3 of the Non Profit Organisations Act, 71 of 1997 states: "Within the limits prescribed by law, every organ of state must determine and coordinate the implementation of its policies and measures in a manner designed to promote, support and enhance the capacity of nonprofit organisations to perform their functions" (Department of Social Development, 2016). Wyngaard (2012) supports this clause by arguing that the state should at least ensure that the NPOs are compliant to the NPO Act, because these organisations alleviate the burden on the state by playing an important role in taking care of the needs of the destitute and the marginalised people of South Africa.

One of the requirements of being registered as an NPO is to be compliant with the Code of Good Practice. The South African non-profit sector developed the Independent Code of Governance to address the governance and risk management

of NPOs (Department of Social Development, 2016). This Code is not a comprehensive statement of the law and it acknowledges the existence of other codes such as the King III Report (Institute of Directors SA, 2016). The King III report is the third report on corporate governance in South Africa. It was necessary to compile this report because of the new Companies Act, 71 of 2008 and the changes in the international governance trends. This report focuses on the importance of conducting business reporting annually in an integrated manner. Gastrow (2013) refers to the Independent Code of Governance as a “statement of values, principles and recommended practice”.

In 2014, the fifth draft of the NPO Policy Framework on the Amendments of the Non-profit Organisations Act No. 71 of 1997 (Inyathelo, 2016) was issued. In this document the NPO Directorate considers the concerns of civil society, and it recognises the NPOs important contribution to the development of South Africa. Non-profit organisations do not only render social services, but they also contribute to the economic growth of the country. On page 6 of this policy framework it is stated that “The amendments of the Act will aspire to promote transparency and accountability within the NPO sector without placing onerous requirements on organisations” (Inyathelo, 2016). Moreover, on page 8 of the framework it is mentioned that “it is not the aim of government to simply write unreasonably stringent measures that will hamper the growth of the NPO sector”. However, the registration process will be simplified and trusts, voluntary associations and non-profit organisations will be subject to the same registration and compliance requirements (Hobbs, 2014).

Now that we have a better understanding of the definition and regulatory requirements of NPOs in South Africa, we also have to examine the current landscape of the non-profit sector to determine its challenges and opportunities. An overview of the global trends in the non-profit sector will first be provided, followed by a discussion of the nature and scope of NPOs in South Africa.

2.5 NATURE AND SCOPE OF NPOs GLOBALLY AND IN SA

2.5.1 Global trends

The John Hopkins University undertook several studies until 2003 of the non-profit sector in 40 countries. The goals of these studies were to obtain information on the scope, structure, financing, role and the development of the non-profit sector in these countries and to determine the impact these factors have on the rest of the world (Salamon *et al.*, 2003:13-14).

The studies showed that in 35 of these countries the non-profit sector accounted for \$1.3 trillion in turnover in the mid-1990s. The sector had 21.8 million full-time paid workers and 12.6 million full-time volunteer workers, including religious congregations. These figures accounted for 4.4 per cent of the countries' economically active populations. The countries' total number of volunteers exceeded 190 million, calculating for over 20 per cent of their adult populations (Salamon *et al.*, 2003:13-14). This gives an indication of the scope of NPOs and the major impact it has on the world's economy (Weideman, 2012:37).

As mentioned earlier, there has been an increase globally in the number of NPOs (Ito & Pilot, 2015:1). In the US, for example, the total donations to NPOs in 2009 was \$295 billion and 26.7 per cent of all adults volunteered at NPOs (Keller, Dato-on & Shaw, 2009:105-106). According to the latter authors, similar trends of growth in NPOs are observed in other countries. Tabaku and Mersini (2014:66-83) also found that the number of non-profit organisations increased over the last decades which has led to a more competitive environment and a threat to the continued existence of NPOs.

According to Weideman (2012:37), the sector is still growing because citizens are taking control of their own development and do not rely solely on the state to provide services. Other factors that are contributing to the growth of the NPO sector are the open communication, the rising middle class and the increased legislation that have an impact on the non-profit sector.

Weideman (2012:30) also refers to the four stages of development of the non-profit sector, and indicates that the fourth stage relates to the NPO crisis. The American Revolution was the first modern revolution where the people fought for their

independence on the principles of rule of law, constitutional rights and popular sovereignty. These developments had a profound impact on the non-profit sector, and resulted in the first stage of the development of the non-profit sector, namely the voluntary/civic stage that persisted in the US until the early part of the 20th century. This stage was characterised by services that the government did not provide, and the individuals often were not able to provide in their communities. The philanthropic support stage was the second stage when wealthy individuals provided the resources that were needed for especially education and cultural activities. During the rights and entitlements stage, civic groups demanded the financial support from government for services provided by civil society. Since 1996, the non-profit organisations have been in the fourth stage, namely the competitive market stage, which is characterised by increased competition for public support among voluntary organisations.

This gives us an historical overview on how the non-profit sector grew from small community-based charities to the large non-profit sector it is today. In the final stage of development, the biggest challenge of the sector is to compete with many other NPOs to attract and secure funding from the same market places.

2.5.2 The South African non-profit sector

The global trend in developed countries can also be applied in the South African context, although SA has some unique characteristics that should be taken into account. Given the unique history of South Africa, it is appropriate to consider the non-profit sector both before and after 1994. Considerable research was done by Weideman (2012:31-36) on the non-profit sector in South Africa in addition to the studies of Russell and Swilling (2002:83-95).

2.5.2.1 Pre-1994

Weideman (2012:33-39) mentioned in her study that years ago it was mainly the churches that accepted responsibility for charity work in South Africa. There were no organised government social services in SA in the beginning of the 20th century until the Carnegie Poor White Investigation Report was published just before World War Two. The report recommended the establishment of a State Bureau of Social Welfare to coordinate welfare activities in cooperation with voluntary organisations and churches. The Department of Social Welfare was established in 1937. The Welfare

Organisations Act No. 40 of 1947, followed by the Welfare Act No. 79 of 1975 were both implemented because government had to control the fundraising activities. Several commissions followed which led to the promulgation of the Fundraising Act No. 107 of 1978. According to Patel (2012:606), the origin of the partnership between NPOs and the government can be traced back to the history of colonialism and apartheid in South Africa. The welfare system of a country is shaped by its political, economic and social history. The then Afrikaner Nationalist government opted for a so-called 'incorporationist approach' to deliver welfare services through the voluntary welfare sector. The policy and legislation determined that government was the main financier of services and the NPOs the delivery agencies.

During apartheid, an alternative network of grassroots NPOs emerged from the Black conscious movements of 1970. They were mainly funded by international donors (Patel, 2012:607). Before 1994, there was a clear separation between so-called 'white' NPOs and 'black' civil society. While the white NPOs were generally well organised, the black non-profit sector was largely localised, less formalised, and mainly supported by religious institutions or by white NPOs with liberal leanings (Russell & Swilling, 2002:67-69).

2.5.2.2 Post-1994

- *A new political, economic, legal and cultural environment in SA*

A new democratic society in SA was created in 1994. The Constitution of the Republic of South Africa, 1996, and the Bill of Rights, 1997 guaranteed the rights of all citizens to equality and to basic social rights (Department of Justice, 2016).

Hence, SA had to adapt to a new political, economic and cultural environment. The government adopted a neo-liberal economic model that dictates that the state withdraw from the social sector to free the market from all constraints, leaving civil society to organise their own social and economic well-being. This meant that government has less responsibility, especially regarding social support (Stuart, 2013).

A new legal and policy framework has been established to manage the relations between state and the non-profit sector since 1994. This framework consists of the Non-profit Organisations Act, the system of tax exemptions for private donations, the

National Lottery and other fundraising structures, and the incorporation of NPOs into the decision-making processes of government. The Non-profit Organisations Act of 1997 creates an environment in which non-profit organisations can exist, and the administrative and regulatory framework in which they can operate and raise funds, as discussed in the previous paragraphs (Weideman, 2012:33). According to Patel (2012:603-618), the new social welfare policy attempts to create a single non-racial service delivery system, that addresses the historical legacy of the past and combining the strengths of the non-profit sector. The policy acknowledges the need for NPOs to be autonomous, to work and advocate for a common purpose, and the need to critically engage with the state.

It was also after 1994 that the King III report was published to ensure good governance. Non-profit organisations had difficulties to adhere to the King III policies and therefore the Independent Code of Good Practice was developed to address the governance and risk management in the non-profit sector. Gastrow (2013) notes that the most obvious difference between the NPO sector and the for-profit or corporate sector is that the latter exists to achieve a profit, whereas the non-profit sector channels any resources it generates towards the benefit of the organisation and the work that it does. The other difference is that the board members of an NPO are mostly volunteers who sacrifice their time for free, whereas directors in the corporate sector expect the highest possible remuneration. Although the requirements of King III are too overwhelming for the capacity of most civil society organisations, it forced the NPOs to examine their own governance as sound governance is vital for donor and beneficiary confidence.

Nowadays, NPOs have to manage their organisations according to business principles that are compliant with the Codes of Good Practice. These principles relate to strategic management, monitoring and evaluation, and management skills. Non-profit organisations are thus accountable to and representative of their members, beneficiaries, donors and communities (Gastrow, 2013). The NPOs have developed strong relationships with both the public and corporate sectors in creating more innovative funding models and strategies for resource mobilisation. The NPOs relationship with corporations has led to 'managerialism', which means that the NPOs had to implement more streamlined managerial structures and demonstrate a higher degree of professionalism.

Subsequently, an increased need for competent managers in the non-profit sector has also emerged (Cornuel & Kletz, 2011:483-491). This can be observed in the rise of management courses for NPOs at business schools during the past 10 years in the US. There was a 79 per cent increase in courses for NPOs between 2005 and 2007 due to the continuous expansion of the NPO sector in the world. Stuart (2013) describes this change in the NPO sector as the “New Generation NGOs”.

- *Scope and size of the NPO sector in SA*

Relevant research on the characteristics of the non-profit sector in South Africa was conducted by the Centre for Civil Society Studies at the John Hopkins University in the US. This study entitled ‘*The scope and size of the non-profit sector in South Africa*’, was undertaken between 1998 and 2000 (Russell & Swilling, 2002). The study found that there were 98 920 NPOs in SA in 1998. About 53 per cent of these NPOs could be described as less formalised and community-based. The NPO sector employed more than 600 000 full-time and part-time employees and full-time volunteers. Almost 1.5 million volunteers were actively involved in NPOs in 1999, representing 49 per cent of the non-profit workforce (Russell & Swilling, 2002). Furthermore, in 2013, Stuart (2013) reported that there were 100 000 registered non-profit organisations in South Africa and approximately another 50 000 unregistered organisations, compared to the 2 000 registered NPOs in South Africa in 1994 (Feuk, 2011:1). These statistics are an indication of the rapid growth of the non-profit sector in SA.

According to Stuart (2013), the growing needs of the citizens also contributed to the expansion of non-profit organisations in SA and in the rest of the world. Macedo and Pinho (2006:533) refer to this trend as an “associational revolution”.

The study on the scope and size of the non-profit sector in South Africa by Russell and Swilling (Weideman, 2012:34) also revealed that the sector had an estimated income of R14 billion in 1998 of which the South African government contributed R5.8 billion (42 per cent). Between 1998 and 2000 the private sector's donations in SA, including those of non-governmental international aid organisations, reached R3.5 billion (25 per cent) of revenue of the non-profit sector. Self-generated income such as fees and dues accounted for R4.6 billion (34 per cent) of the total revenue of R14 billion. Non-profit organisations mobilised resources worth R13.2 billion. The study also pointed out that

nearly 100 000 non-profit organisations in South Africa competed for donations. Many of these organisations were less formal, local and community-based and lacked fundraising and management expertise. If the “prevailing view of the sector as a group of professionally-run organisations established mainly by whites to help the poor must be replaced with one that sees the sector as much more extensive and diverse”, it will imply that donors have a much wider choice and it will contribute to the competition between NPOs (Weideman, 2012:39).

The fifth draft of the NPO Policy Framework on the Amendments of the Non-profit Organisations Act No. 71 of 1997 acknowledges that the public do not know the real size, employment conditions, salaries and income levels of the non-profit sector in South Africa. The government foresees a growth of NPOs of more than 11 per cent per annum, but mentions that the majority of registered organisations are still non-compliant and that 80 per cent are voluntary associations.

According to Patel (2012:610), NPOs can be distinguished from one another by the nature of their funding. She refers to four types of NPOs. Type one is the formal, registered welfare organisations that provide professional services and are mainly funded by the state. Type two is the donor-funded NPOs, while type three is the faith-based organisations funded by religious institutions. They may be constrained by the focus of the donors. The fourth type is the community-based organisations, which form the biggest part of all NPOs. They are generally unregistered, informally organised, small in size, use mainly volunteers and have limited skills or funding. In the next section of this chapter the specific funding challenges of NPOs will be discussed.

2.6 THE FUNDING CHALLENGES OF NPOs

Non-profit organisations rely on a wide range of income sources such as grants from government and foundations, corporate support, individual giving, church contributions and income from fees, product sales and special events (Tabaku & Mersini, 2014:66-83). However, NPOs are struggling to keep up with the decline in financial resources, the increase in the demand for their services and the mounting competition among NPOs. In addition, a funding crisis in the non-profit sector in SA was foreseen because of the global economic crisis in 2008 (Molefe, 2012:90). According to Mahmoud and

Yusif (2012:624-629), NPOs are furthermore confronted with increasing accountability and a rapid change in communication technology.

A study by Swilling and Russell (2002) found that the philanthropic and developmental contributions from the corporate sector will play an important role in the sustainability of the non-profit sector. The NPO sector's biggest challenge will be to find a way to gain access to the funding resources available, such as the National Development Agency, the National Lottery and tax-deductible donations from the private sector. It was also mentioned in the study that there has been a shift in the behaviour of donors that has an effect on the organisations that wish to raise funds, such as:

- Donors are more proactive as they make contact with the organisation of their choice.
- Generation, gender, and ethnicity must be considered in identifying donor segments and that the audience is not any more just predominantly white and older people.
- The majority of the adult population will be those who were born after World War II.
- Donors will decide on when, how often and in what format the charities should contact them (Weideman, 2012).

In 2003, the Centre for Civil Society, the Southern African Grantmakers' Association and the National Development Agency conducted research on social giving among South Africans. This study showed that South Africans appear to be a nation of givers as 54 per cent of the respondents gave money to charities and other causes, 31 per cent gave food or goods to charities and other causes, while 17 per cent volunteered their time. They appear to give more to formal structures than directly to the poor. Giving behaviour by ethnic groups was more or less the same, namely 94 per cent of African people give and 93 per cent of white people give. Giving among younger people including scholars and students was slightly less at 91 per cent, compared to the 96 per cent among people aged 60 years and older. It emerged that religion was deemed an important motivator in people's giving behaviour as 89 per cent of the respondents indicated that they belonged to a religion. Seventy-seven per cent of the respondents gave money directly to charities, causes or organisations or to poor people, and the average amount spent was R44 per respondent (Weideman, 2012).

However, at the Non-profit Organisations Summit held in 2012 and hosted by the Department of Social Development, resource mobilisation was identified as one of the greatest challenges for NPOs. NPOs are relying on an environment that provides user-friendly compliance systems and donor-friendly tax incentives to encourage private donor support (Brown, 2012). It was also pointed out that the fundraising expertise in NPOs was insufficient and that too many organisations depend on the National Lottery Distribution Trust Fund (NLDTF) and the National Development Agency (NDA) that are not able to meet the expectations of the NPOs. Although the President referred to the execution of the National Development Plan 2030 that should be jointly implemented by government, the private sector and civil society in a joint effort, he did not mention that the budget of R1.5 billion would be inadequate to execute the plan (Brown, 2012). In fact, government is relying more on the NPO sector for service delivery, which has caused the number of NPOs to increase sharply, but leaving them without adequate funding or resources.

Any NPO in SA that provides developmental welfare services can apply for subsidy or programme funding from the Provincial Department of Social Development. However, Molefe (2012:90) reported in the CSI Handbook that, according to the National Coalition for Social Services, NPOs delivered 70 per cent of the statutory welfare services, but that the state allocated only 10 per cent of the welfare budget to them. At the time of Molefe's report in 2012, the National Coalition for Social Services represented 3 000 welfare organisations in South Africa. The inadequate funding from government thus remains one of the major challenges faced by the non-profit sector in SA, along with the global recession and the organisations that have become more corporate-oriented (Stuart, 2013).

The changing policies of the governing state funding of NPOs are also a concern for the NPOs. Few NPOs approach Parliament on the concerns of the NPO sector over the lack of consultation of government on how the policy changes would affect the work of NPOs on their behalf. The frustration of the NPOs were that government appeared to view its funding of NPOs as a generous granting of gifts and awards, and not paying for the basic and essential social services rendered by these organisations. Government sees the NPOs as their benefactor and not a partner in delivering the services to the poor and vulnerable (Ritchie, 2011). This is confirmed by Patel

(2012:611), who believes that one of the biggest challenges for social welfare services in SA, is the inadequate financing of NPO services by government. She also refers to the ruling of the Free State High Court in 2010 that the state is “effectively abrogating its social services responsibility at a time when NPOs have identified the lack of adequate funding and resources”.

The NPOs also experience a capacity crisis and a high staff turnover because staff members are leaving the NPO sector for better salaries in government structures. At the same time, foreign donors channel their donations towards government and not to the NPOs. The decrease in government funding, an unsupportive welfare system, a lack of adequate corporate and individual sponsors, and the increase in competition for financial contributions, employees and volunteers are the obstacles that most NPO's in SA must overcome (Keller, Dato-on & Shaw, 2009:105-106). It has resulted in the closure of many NPOs, especially the informal organisations.

In 2012, *GreaterGood South Africa* undertook the ‘Nonprofit job losses and service cuts survey’, and determined that 80 per cent of the participants had experienced funding cuts. It led to retrenchments and the closure of many non-profit organisations. Considering the number of employees in the sector, the impact was substantial. The main reductions came from international aid agencies and, to a lesser extent, from local corporate funders, as a result of the recession. Around 1994, there was a flood of international money into SA. It was easier for many NPOs to rather secure funding from an international donor for specific projects rather than to raise funds for the organisation and its services. They became reliant on a handful of large donors to provide restricted funding. With the collapse of the American and European financial systems and SA's changed status as a middle-income country, the international financing was withdrawn. As a result, these organisations were facing a financial crisis (Krige, 2012).

According to Weideman (2012:40), organisations that are doing missionary work, are part of those that struggle to procure funds amidst the competitive NPO environment, as they are funded by a small, segmented group of individuals and they cannot gain access to funds from government, trusts or the corporate sector. Owing to the economy, many individual donors also have a smaller disposable income and are not able to contribute any longer. Non-profit organisations thus need to be more

professional in their fundraising efforts and nurture the relationships with their donors. The reason why donors give must be the starting point when a marketing and fundraising strategy is compiled.

In October 2013 a follow-up survey was conducted by *GreaterGood South Africa*. Many NPOs in South Africa were still challenged by funding cuts, resource constraints and unstable financial positions. According to 46 per cent of the participants, the funding circumstances had worsened. The funding cuts were from the National Lotteries Board (40 per cent), the Corporate Social Investment (CSI) departments (39 per cent), individuals (34 per cent) and international donors (17 per cent). The financial position of a number of the NPOs was stable owing to the retrenchment of staff, but the commitments placed a heavy burden on the few remaining staff (*GreaterGood SA*, 2014).

2.7 BUILDING FINANCIAL SUSTAINABILITY THROUGH MARKETING AND FUNDRAISING

The question arises on how management can ensure the sustainability of NPOs despite all these challenges (Morris, Coombes & Schindehutte, 2007:12). It is a season of sustainability challenges for most NGOs, as referred to by Chigwedere (2013). Many authors define sustainability in terms of the availability of funding in the future. Chigwedere, however, has a different perspective on sustainability as he views it as a continuous assessment of the need to drive a cause - if it is validated - to be able to effectively explore opportunities to fund such a cause. Naidoo (2014), a senior economic development specialist, is of the opinion that NGOs should invest in sustainability strategies that will enable them to raise funds with ease to have adequate funds to sustain their programmes beyond donor funding. Naidoo worked at an NPO that changed its strategy. The NPO's members paid for specialised accredited courses which focused on best practices, policy and regulatory advocacy, and professional advisory services to ensure sustainability. The NPO also used a regular newsletter to communicate with their target markets. The NPO's donors enjoyed being a partner in the new strategy and that their grants would become an investment over the long term.

According to Brown (2014), a fundraising and sustainability consultant to non-profit organisations, there are seven dimensions in ensuring the sustainability of NPOs. She defines it as follows:

“legal good standing and compliance; organisational capacity and expertise to do the work; financial viability of the organisation; advocacy for the work undertaken that will make a difference; quality and professionalism of service provision; stable infrastructure, and building a brand that portrays a positive public image”.

She also believes that organisations can develop their brand and public image through positive and regular media messages about their work, public speaking events and self-promotion at forums. Both Naidoo and Brown refer to marketing as one of the key dimensions for sustainability. Jonathan Robinson of *Bean There Fair Trade Coffee*, says he has used human success stories in his marketing strategies to emphasise the social impact that his business has made in Kenya (Black, 2012). Every organisation should have a communication strategy in place for both internal and external markets. NPOs should create relationships with the public, local newspapers, radio stations, social networks, schools, hospitals and the police and should have a website where they can publish the organisation’s news and results.

There is much to learn from the for-profit sector in terms of sustainability. When human capital is unlocked, one will find a number of social activists, fundraisers, relationship builders, and innovators among the staff at no additional cost. The unlocking of human capital will also create innovation, energy and collective drive in an organisation. The time has come for non-profit organisations to work together, because for-profit organisations also merge to survive. Chigwedere (2013) refers aptly to the adage: “If you want to go fast, go alone. If you want to go far, go together”. As a united NGO, one can improve infrastructure, skills and goodwill for a specific cause. Chigwedere (2013) is further of the opinion that NGOs are founded to address social change and are therefore essentially social enterprises. NGOs need to think out-of-the-box and use the latent capital such as human and intellectual capital goodwill, geo-political relationships and the state of the market and competition in the organisations.

Chauke (2013) suggests that non-governmental organisations should consider becoming social enterprises to ensure their long-term sustainability. Entrepreneurship

in non-profit organisations is generally approached under the term 'social entrepreneurship'. This term refers to any entrepreneurial actions by NPOs such as social innovations or for-profit ventures to cross-subsidise non-profit activities. Both an entrepreneurial orientation and a market-driven orientation have proved to contribute to the sustainability of for-profit organisations. The findings of a study by Morris, Coombes and Schindehutte (2007:12), confirm that an entrepreneurial orientation is also important for NPOs, but that it is much more complex than is the case with for-profit organisations. It was also found that non-profit organisations with a strong market orientation towards their clients are also more entrepreneurially inclined.

According to the resource dependency theory, the survival of organisations depends on their ability to acquire and maintain resources in an environment of scarcity and uncertainty. Organisations are not isolated, but they are constantly interacting with other entities in the environment. Non-profit organisations are dependent on the resources from external providers and they need to attract these resources. This theory is an important theoretical tool to understand the market-orientation strategies of NPOs (Macedo & Pinho, 2004:549).

In a Corporate Social Review by Shelagh Gastrow (2013), Executive Director of the non-profit organisation *Inyathelo*, she noted that resources are available to NPOs, but that organisations need to attract these resources. It requires a holistic view for an organisation to attract funding. Furthermore, good governance, leadership that builds relationships with supporters, excellent financial management, effective communication and marketing, functional programmes, monitoring and evaluation and a clear vision are also required to attract funding. All these factors, as well as good fundraising skills such as research, project and programme development, clear proposal writing and the capacity to ensure a trouble-free donor experience, will create sustainability for an NPO. Proposal writing as the standard way of raising money is the least effective. According to Gastrow (2013), the bottom line is that organisational leadership has to develop relationships with the external world which take time. Michael Rifer, acting manager of advisory services at *Tshikululu Social Investment* refers to the concept of 'return on investment'. He explains that when someone makes an investment in business and finance, they do not simply "give that money away"; they expect it to generate a financial return. Therefore, NGOs must be more competent

to monitor their work, and report the positive outcomes of their work. Rifer further believes that donors want more facts and data and not only the success stories. They want to see clear, measurable benefits of their investments.

The NPOs recognise the importance of marketing for their survival and have introduced the techniques used by the for-profit sector (Tabaku & Mersini, 2014:66-83). There are fundamental differences between non-profit and for-profit organisations, especially when it comes to marketing and promotion, says founder Catherine Wijnberg of *Legends*, an enterprise and business support programme in SA. The needs of beneficiaries, donors, volunteers and staff should all be considered. Costs and benefits of social marketing are different from those of products, as well as the nature of competition.

There is general agreement among researchers such as Tabaku and Mersini (2014) and Macedo and Pinho (2006) that it is important for NPOs to adopt a market orientation and to use marketing tools. Social marketing refers to the “adaptation of commercial technologies to programs designed to influence the voluntary behaviour of target audiences to improve their personal welfare and that of society” (Tabaku and Mersini, 2014:72). Social marketing is more than social advertising or social communication. It is customer-driven and encourages behaviour change. It can be applied to a wide range of human situations and contexts.

A study conducted by Pope, Isley and Asamoah-Tutu (2009:184) revealed that NPOs should give priority to the importance of marketing and that NPOs do not understand the functions of marketing and branding. Nor do they know how to reach their target markets. Research by Tabaku and Mersini (2014:66-83) confirm that many NPOs “still demonstrate a distinct lack of understanding of what the principles of marketing are”. NPOs have not nearly reached their full potential through marketing and they still depend mainly on traditional methods of marketing. They must learn new and better ways to market themselves. According to the NUCB Global Non-profit Management Team (2013), the limitations to NPO marketing are universal: “[a] lack of money, staff, time and marketing skills”.

2.8 SUMMARY

It became apparent in this chapter that NPOs are in a season of sustainability and that marketing is one of the key elements to ensure sustainability. Non-profit organisations do realise the importance of marketing for their survival and they have introduced marketing techniques and tools accordingly. However, they still lack understanding of the principles underlying the marketing concept and how to operationalise it. The fundamental differences between the marketing of for-profit organisations and non-profit organisations were also outlined. This discussion takes us to the next chapter that will analyse the theories of the essential marketing principles for NPOs.

CHAPTER 3

AN OVERVIEW OF ESSENTIAL MARKETING PRINCIPLES FOR NON-PROFIT ORGANISATIONS

3.1 INTRODUCTION

In the previous chapter, the requirements, nature and scope of non-profit organisations (NPOs) and the need for marketing were discussed. In this chapter, the definition and conceptualisation of marketing principles will be delineated, as well as the relevance and challenges of how to apply these principles in the NPO sector. Subsequently, 12 marketing principles that are essential for the NPO sector will be formulated and assessed.

3.2 THE CONCEPTUALISATION OF MARKETING PRINCIPLES IN GENERAL

3.2.1 Definition of marketing

Various definitions and perceptions of the concept 'marketing' have been documented in the marketing literature. One of the recent definitions of the American Marketing Association (2008) reads as follows:

“Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”

An earlier definition of marketing of the American Marketing Association states:

“Marketing is an organisational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders.”

Terblanche (2005:9) also describes marketing as a general management responsibility from top management that includes market-sensing and articulating a new value proposition.

The more recent definition of the American Marketing Association (2008) acknowledges the important role of marketing in society and that so-called 'do good' causes can also denote marketing. Marketing can furthermore be seen as a philosophy, a science, a culture and a set of tools or a management process (Brady *et al.*, 2010:84-98). Kotler and Armstrong (2010:688) refer to marketing as the "process by which firms create value for customers and building strong customer relationships in order to capture value from customers in return".

In the study done by Sargeant (1999:4-7) it was stated that marketing is no longer about the provision of required goods or services at a profit, but that the focus is on the satisfaction of consumers' wants and needs. The broadening and softening of the definition made it more acceptable for the non-profit sector. "Marketing has evolved into a more philosophical approach to the management of an organisation that are relevant to profit and non-profit entities" (Sargeant, 1999:4-7). Marketing is therefore no longer considered to be merely an organisational function, but is rather viewed, across the globe, as a mindset enabling the organisation to create value for all its stakeholders.

3.2.2 The development of marketing

Marketing has developed over the years through phases that focused on different orientations ranging from production, products, selling, and marketing to societal marketing and relationship marketing. Although marketing has evolved significantly over the years, each orientation still offers some value. However, the danger for any for-profit or non-profit organisation is to focus on only one of the orientations. Organisations should rather consider the following marketing principles and concepts in each orientation phase (Kotler & Armstrong, 2010:687):

- *Production concept*

People will favor products and services that are available and highly affordable. This concept is all about improving the production and distribution of a product.

- *Product concept*

This concept focuses on making continuous product improvements. People will favor products and services that offer the highest quality, performance and innovative features.

- *Selling concept*

People will only purchase enough products and services if they are convinced by extensive selling and promotional efforts.

- *Marketing concept*

A market orientation derives from the marketing concept that is defined by Kotler and Armstrong (2010:687) as “the marketing management philosophy that achieving a firm’s goals depends on knowing the needs and wants of target markets and delivering the desired satisfaction better than competitors do”.

- *Societal marketing concept*

With sound marketing decisions, the consumer’s wants, the organisation’s statutory requirements and society’s long-term interests are considered. The focus on both the consumers’ wants and the long-term interests of society is referred to as a societal marketing mindset. This concept is in line with the latest definition of marketing by Kotler and Armstrong (2010:687) and is recommended for both non-profit and for-profit organisations that want to achieve success in today’s dynamic world. The notion is that the marketing strategy should deliver value in such a way that the well-being of both the consumer and society is maintained or improved.

- *Relationship marketing concept*

Relationship marketing refers to the relationships and interactions among people. The relationship marketing literature is extensive and encompasses many schools of thought about what it is and how it might be applied. Relationship marketing suggests that the dominant marketing function should be interaction. The purpose of relationship marketing is thus “to establish, maintain, enhance and commercialize customer relationships (often but not necessarily always long term relationships) so that the

objectives of the parties involved are met. This is done by a mutual exchange and fulfilment of promises” (Kotler and Armstrong, 2010:687).

Marketing is currently more focused on the following three orientations: the market and customers, societal marketing and relationship marketing.

3.2.2.1 Market orientation as a managerial framework

A market orientation refers to the operationalisation of the marketing concept in an organisation. As marketing departments in organisations expand, a need for a managerial framework in which the organisation can implement its marketing activities has developed.

The key aspects of a market orientation are the emphasis on customers, the importance of information about competitors, inter-functional coordination, and the action taken. The organisations that are market-oriented are also customer-oriented, competitor-oriented and such organisations implement and coordinate their marketing activities with all other functions of the organisation (Bennet *et al.*, 2005:465). For an organisation to be market-oriented means that they have to apply organisational skills to understand and satisfy their customers (Mahmoud *et al.*, 2012:627). To ensure a market-orientation, Vázquez, Álvarez and Santos (2001:1041) suggest that organisations should develop a culture of market-orientation, have the commitment of management, formalise communication and activity processes, decentralise decision-making processes and reward staff for adapting the organisation’s marketing principles. According to Chad, Kyriazis and Motion (2013:1-27), a market-orientation refers to the framework for the interplay between customers, competitors, stakeholders and the organisation, and is the way in which the marketing concept is put to practice. Market-oriented organisations thus focus clearly on the needs of their customers and align their organisational focus, processes, and structure accordingly.

3.2.3 The marketing process

The process of marketing is outlined by Kotler and Armstrong (2010:688) in a five-step model. These steps, which will be explained next, are the following:

- understanding the marketplace and customer needs;

- designing a customer-driven marketing strategy;
- compiling an integrated marketing programme;
- building profitable relationships; and
- capturing value from customers.

3.2.3.1 Understanding the marketplace and customer needs

As mentioned earlier, marketing is all about the understanding of customer needs, their wants and demands, which is based on the concept of human needs. Customers' needs are satisfied by means of a market offering that includes a combination of products, services and experiences. Customers choose among the different market offerings based on their expectations of the value and satisfaction they will get from a certain product or service. The primary goal of marketing is to build and maintain exchange relationships with target audiences which involve a product or service. This results in the market which comprises the set of all actual and potential buyers of a product or service (Kotler & Armstrong, 2010:19-22). In the current changing marketing landscape, organisations also have to consider three other important factors, namely marketing technology, globalisation and the call for ethics and social responsibility.

3.2.3.2 Designing a customer-driven strategy

Strategies are important to achieve the set objectives of a marketing plan. A strategy refers to the approach, in other words, how a particular objective will be achieved. There can be more than one strategy to achieve a specific objective. Strategies are creative and fit the target market of the organisation. A good strategy requires detailed action plans to ensure that the set objectives within a given budget.

To design a marketing strategy, the marketing manager must choose the right target markets and build relationships with them. The organisation must decide who they will serve by selecting customers (known as market segmentation and targeting) and how they will serve them best by choosing a value proposition (known as differentiation and positioning). A value proposition refers to the set of benefits or value that the organisation promises to the customer when selling the product or service. A value proposition positions the product in the market and differentiates one brand from another (Kotler & Armstrong, 2010:23-25).

The philosophy that guides the design of a marketing strategy is to be found in one or more of the following marketing management orientations, namely the production, product, selling, marketing, societal marketing or relationship marketing (Kotler & Armstrong, 2010:23-25).

Marketing in any organisation should be a strategic function managed according to a well-developed and continuously updated marketing plan. Although the marketing plan for each organisation is unique, a number of factors should be considered for inclusion in all marketing plans.

3.2.3.3 *Compiling an integrated marketing programme*

An integrated marketing programme will transform the strategy into action. The marketing mix, also referred to as the four or seven P's of marketing, are the tools to implement the strategy. These tools are blended into a marketing programme. The marketing mix for service organisations consists of the following:

- Product or service: refers to the core activity of the organisation
- Price: refers to the amount that has to be paid in return for the product or service
- Place: refers to the distribution of the product or service and also emphasises the concept of location
- Promotion: refers to marketing communication, which comprises events such as sales promotions, advertising and public relations
- Physical evidence: refers to all tangible representations of the service, including aspects such as business cards, appearance of buildings, and employees
- Processes: refers to the effective functioning of any organisation which is seen as critically important; and
- People: which is seen as the key to good service delivery, efficiency and humanity

3.2.3.4 *Building customer and partner relationships*

The previous three steps discussed in the marketing process lead to the fourth and most important step in the process, namely to build customer and partner relationships. The key to develop these relationships is customer value and customer satisfaction. This is perhaps the most important concept of modern marketing, but organisations

cannot achieve it in isolation. They must work with marketing partners both inside and outside the organisation and build good partner relationships (Kotler & Armstrong, 2010:41).

3.2.3.5 Capturing value from customers

The final step in the marketing process is to capture value from the customer. By delivering superior customer value, the organisation will create highly satisfied customers that in turn will give the organisation lifetime value, which is the value of all the purchases that a customer would make over a lifetime. This process results in long-term customer equity (the combined customer lifetime values of all the firm's customers) for the organisation.

As can be seen from the discussion, the first four steps in the marketing process create value for customers, whereas the final step is to capture value from the customers, which is the reward for strong customer relationships.

3.3 MARKETING IN THE NON-PROFIT SECTOR

All charities, causes, associations, not for-profit financial institutions and other organisations where the primary purpose is something other than making a profit for distribution to individuals, will be referred to as non-profit organisations (NPOs). In this section we will debate the challenges and relevance of marketing in the NPO sector and formulate the essential marketing principles for NPOs, based on the literature study.

3.3.1 The challenges and relevance of marketing in the NPO sector

Non-profit organisations often consider marketing to be inappropriate for their needs. This may well be true if marketing is seen only in its traditional and 'transactional' role. However, relationship marketing, with a focus on relationships rather than transactions, has the ability to meet the unique needs of non-profit organisations (Brennan *et al.*, 1999:327). Kotler and Levy (1969) suggest that the concept of marketing is broadened to include non-business organisations. They believe that these organisations also have products and customers and therefore perform the equivalent of marketing activities (Weideman, 2012:103).

The scope and nature of marketing as a discipline is misunderstood by many NPOs because of their perception that marketing consists simply of the occasional promotion, advertising, and selling, instead of addressing needs and wants by means of the marketing concept (Chad *et al.*, 2013:1-27). This misunderstanding has also been confirmed by Dolnicar and Lazarevski (2009), whose research showed that many non-profit organisations are still demonstrating a distinct lack of understanding of what the principles of marketing are and largely focus their efforts on sales and promotional activities. Organisations should understand that marketing comprises much more than merely making a sale or obtaining a donation, but that it is a way to satisfy the consumer and donor needs (Blery *et al.*, 2010:57-68).

According to Sargeant (1999:4-7), there has been a surge in recent years in both the acceptance and popularity of marketing as a discipline of relevance to NPOs, although there still remains lingering doubts and criticism. The principles underlying the marketing concept, however, have been well understood for centuries. In 1776 Adam Smith, widely regarded as the father of modern economics, remarked that consumption is the purpose of all production and that we have to attend to the interest of the producer in so far as it may be necessary for promoting the interest of the consumer. Although the concept of marketing is self-evident, it took almost 200 years before it became formally recognised, and even longer for its relevance to be established among non-profit organisations.

The relevance of marketing for NPOs was first debated in 1969 by Kotler and Levy (Sargeant, 1999:4-7). According to these researchers, marketing can be relevant to NPOs in the following four ways:

- It can improve the levels of customer and donor satisfaction.
- It can assist in the attraction of resources. For example, marketing tools and techniques can be used by fundraisers as many non-profit organisations need to raise funds to support their work.
- It can assist an organisation in defining its competencies to consider what it can offer society that others cannot. This will differentiate them from other organisations and enhance both fundraising and service delivery as a result.
- It can also provide organisations with a framework to work from. Marketing is a systematic approach in researching needs, setting objectives and planning to

meet those objectives and the activities to ensure the relevant outcomes for a cost-effective service.

Despite the benefits that marketing offers, there are still objections raised by certain NPOs, such as:

- Marketing is not necessary. NPOs are doing worthwhile work and are therefore worthy of support for its own sake.
- Marketing invades an individual's privacy. Marketing is viewed by some as intrusive as it invades an individual's right to privacy when market research or many forms of promotion (such as advertising, direct mail and tele-marketing) are executed.
- Marketing lowers perceived quality.
- Marketing is immoral. Marketing is seen as manipulating consumers into purchasing goods and services, because the marketing concept is misunderstood by non-profit organisations and viewed as sales.
- Direct marketing has "gone too far". It is argued by some NPOs that fundraising departments have become as 'slick' as the marketing departments of the business world, referring to targeted mailings, but it is misplaced. The way charity direct marketers communicate with their target audience are based on research done on donor behaviour (Sargeant, 1999:4-7).

Previously, NPOs have been included in the category of 'services' in discussions of marketing. Although NPOs share many of the characteristics of a service organisation, they have their own unique characteristics, which require quite different marketing strategies. The difficulties of using the marketing paradigm in the non-profit sector are still valid today (Brennan *et al.*, 1999:327-337). Some of the unique constraints for marketing in NPOs, according to Brady *et al.* (2010:84-98), are that NPOs have multiple constituencies, non-financial objectives, a focus on service, and a need to be responsive to non-market pressures, such as government policies. The other constraint is that the mission (product) of an NPO is defined in advance and cannot be changed according to market needs.

According to Dolnicar and Lazarevski (2009), there is a wide range of marketing strategies and instruments available to non-profit organisations that can be

implemented without changing their true mission. These strategies for NPOs include the following (Blery *et al.*, 2010:57-68):

- to identify customers who are particularly interested in supporting the NPO's mission (market segmentation);
- to ensure that an image is built that is attractive to those customers (product positioning);
- to develop communication messages most attractive to these customers (advertising); and
- to communicate with them by means of channels these customers regularly use (place).

3.3.2 The essential marketing principles for NPOs

Marketing is critical to the success of every organisation, be it for-profit or non-profit organisations (Kotler & Armstrong, 2010:18). Non-profit organisations are selling their organisation's mission, their ideas, their programmes and their services. Non-profit organisations need to increase their income to fulfil their mission. The principles and practices of marketing are increasingly being applied by many NPOs (Blery *et al.*, 2010:57-68).

The Business Dictionary describes marketing principles as “the ideas that form the widely agreed upon basis of most product promotion strategies. Most businesses use a variety of marketing principles in order to optimize the market performance of existing products and to successfully launch products into a new market (Business Directory, 2016)”.

According to Cierpicki *et al.* (2000:771-790), marketing principles are “statements of marketing knowledge based on multiple studies by different researchers that produced similar results under defined circumstances”. It is precise and useful to those who practise marketing. Principles should help marketing managers to make better decisions by incorporate marketing knowledge derived through research and experience. Principles are normative statements or empirical generalisations. These statements specify a condition and are followed by a suggested action.

Based on the latest research on marketing and the NPO sector, the following key marketing principles for NPOs have been identified:

PRINCIPLE 1: CHOOSING AN ALTERNATIVE PARADIGM

Relationship marketing is the alternative paradigm to successfully implement marketing strategies in NPOs

As outlined earlier, the marketing concept is still not accepted by each and everyone in the wider non-profit sector. It is often believed that NPOs do not have the financial or human resources to invest in marketing. However, an alternative marketing paradigm – relationship marketing – uses many of the resources that already exist in NPOs. The use of relationship marketing in NPOs is a natural application of an alternative marketing paradigm. Non-profit organisations have never had a transaction focus and traditional forms of marketing have never worked for them either. Marketing for NPOs often required sophisticated adjustments to apply the principles of marketing. Relationship marketing has the capacity to enable NPOs to find the methods to establish marketing principles successfully in their organisations (Brennan *et al.*, 1999:330-333).

Relationship marketing refers to the relationships and interactions among people. The relationship marketing literature is extensive on what it is and how it might be applied, and it suggests that the dominant marketing function should be interaction. The services encountered in the context of NPOs focus on personal contact with customers as NPOs mostly rely on personal contact with volunteers and donors for fundraising. Often the support for NPOs comes from individuals or families who have benefited from their services in the past. The high degree of human interactivity in an NPO context thus makes it an ideal domain for interactive or relationship marketing (Brennan *et al.*, 1999:330-333).

Relationship marketing also requires a long-term focus. With transaction marketing, as typically found in the for-profit world, the focus falls on immediate profit, and not on a long-term benefit. However, in NPOs the focus is on building long-term relationships or to change behaviour. One of the objectives of an NPO is to bring about change for an individual, the community, or the whole world. Changing people's attitudes is a complicated task and it happens over a long period of time. The benefits of the services

rendered by NPOs may not be apparent for some time. NPOs are already in a long-term frame of mind, which is also applicable to relationship marketing (Brennan *et al.*, 1999:327-337).

PRINCIPLE 2: CHANGING TO A MARKET ORIENTATION

A NPO can achieve a competitive advantage by changing the organisation to be more market-oriented

Non-profit organisations may use marketing tools such as advertising and promotion in their daily activities, but it does not mean they are market-oriented. Market-oriented organisations focus clearly on the needs of their customers and align the organisational processes, and structure to meet customer needs.

According to Seymour, Gilbert and Kolsaker (2006:151), it is only recently that the issue of a market orientation came to the attention of the charities that are facing increasing competition and a complex environment. The growing competition in the non-profit sector makes the implementation of marketing and marketing skills within a market orientation imperative for survival. Mahmoud and Yusif (2012:624) agree by saying an organisation can achieve a competitive advantage by changing the organisation to be more market-oriented. According to Chad *et al.* (2013:1-27), many academics are also quick to argue that a market orientation would yield benefits for NPOs such as charities and non-governmental organisations that function in a highly competitive environment for funding, revenue generation and improved service delivery.

Weideman (2012:49) also asserts that NPOs have to be market-oriented and that they should develop a fundraising model in a marketing context. Non-profit marketing and market orientation of NPOs are still under-researched areas.

PRINCIPLE 3: ANALYSING THE ENVIRONMENT

Understanding the organisation and the environment in which it operates

Information is the key in developing a marketing strategy and plan. An organisation has to understand itself and the environment in which it functions to ensure continuous

success. For this purpose, research about and an analysis of the internal and the external environment is important (Kotler & Armstrong, 2010:80-100).

The internal environment refers to factors over which an organisation has control and influence. The internal environment of an organisation includes the following:

- The historical background of the organisation
- An overview of the organisation (its core business, clients, human resources, finances, infra-structure and assets, and competitors)
- The organisation's marketing environment (its current positioning, target markets, marketing objectives, strategies and action plans, marketing budget and monitoring and evaluation).

The external environment includes factors that have the capacity to influence the success of an organisation, but the organisation does not have any control over these factors. The organisation can merely anticipate the impact of external environmental factors and either protect the organisation against it or make use of the opportunities arising from it. The following is a list of the key external environmental factors:

- Demographic factors
- Economic factors
- Natural factors
- Technological factors
- Political factors
- Legal factors
- Social factors

When compiling a SWOT analysis, the internal environment will usually refer to the strengths and weaknesses of the organisation and the external environment will usually refer to the opportunities and threats of the organisation. The SWOT analysis is thus a summary of the strengths, weaknesses, opportunities and threats of an organisation. The SWOT analysis can also be used to discover the competitive advantage of an organisation.

PRINCIPLE 4: RE-EXAMINING THE CONSUMER CONCEPT

Identifying the priority markets that will contribute to NPOs

According to Brennan and Brady (1999:327), there is a lack of research information regarding the consumer of a NPO, because if research is available, it is about the issues relating to the client's problems rather than information describing them in marketing terms. It is crucial for NPOs to have information about *who* their consumers are, *where* they are, *when* they are most likely to access the NPO, *why* they would want to access the NPO, and *what* it is they will get from the NPO to satisfy their needs. The non-profit sector has different types of consumers, or target markets, such as beneficiaries, donors, volunteers and their staff.

Non-profit organisations should adapt their marketing strategies and reconsider their concept of consumers. The six-markets model of Brennan and Brady (1999:333) can be used by NPOs to reconstruct their concept of consumers. The model identifies the following priority groups that will help to develop specific marketing plans for any or all of these groups:

- *Customer markets*

The customer markets refer to new and existing customers or users of a product or service, but there is a difference between the customers and the other stakeholders of NPOs, such as the donor markets. The customers or clients normally do not pay for a service to be able to use it. The other customer markets of an NPO include donors and volunteers.

- *Referral markets*

Referral markets refer to people who are in a position to refer other potential customers to the organisation. They are people who are aware of the organisation, for example, past customers or suppliers, business acquaintances, friends or family of people who currently customers of the organisation. They may be part of a network or may not have direct dealings with the organisation.

- *Influence markets*

Influence markets refer to people who are able to influence, through their own activities or word-of-mouth, other markets. They are people on whose goodwill an organisation depends to succeed. These people may or may not be directly involved in the organisation, but are likely to affect the activities of the organisation. The major difference between influence markets and referral markets is that referral markets contribute to word-of-mouth by the things they say *and* do, while influence markets tend to contribute more by what they *do*, such as their active involvement with government, past clients, local communities, business groups, and the general public.

- *Supplier markets*

Supplier markets include, for example, funding agencies, suppliers or government agencies. The organisation relies on these agencies to supply the goods, services, ideas, concepts or finances required to provide its offering to the customer markets. They sometimes act as intermediaries and facilitate the creation of value between the provider of the offering and its customers.

- *Internal markets*

Internal markets refer to existing staff, board members and volunteers who are directly concerned with the delivery of the service. Internal markets are those people who need to be influenced and empowered to enable the success of marketing activities. Marketing cannot happen without the full cooperation of internal markets.

- *Recruitment (employee) markets*

Recruitment or employee markets are the potential internal markets. In any service-oriented organisation, the staff members are its most important asset. The emphasis of marketing at this level is to ensure that enough competent employees are available to maintain or develop the customer markets over time.

PRINCIPLE 5: TARGETING THE RIGHT MARKETS

Identifying which customers are most interested in supporting the non-profit organisation's mission

Helmig, Jegers and Lapsey (2004:1) are of the opinion that the main difference between marketing in non-profit organisations and marketing in for-profit organisations is that non-profit organisations have to market their services or products to a variety of target groups. According to Rupp *et al.* (2014:77), relationship marketing in NPOs can only be successful if they can identify their target audiences, in other words, market segmentation. According to Garber *et al.* (2000:55-86), target segmentation is the process of identifying particular sub- categories of consumers who will support the mission of the organisation. Many researchers agree that segmentation strategies are important for the sustainability of non-profit organisations, and therefore NPOs should define their target markets and identify their customers (Blery *et al.*, 2010:57-68). The NPOs can increase their resources when meaningful relationships with their specific target groups are established. The target groups of NPOs are mainly beneficiaries, donors, volunteers and staff (Tabaku *et al.*, 2014:70).

In order to raise funds, the NPOs target the donors and volunteers, because the customer or beneficiary markets that are the users of the product or service, do not normally pay for the service to be able to use it. Little attention has been given to the segmentation of the donor categories. The dominant practice is to solicit donations from individuals, foundations, and corporations into one category. Differently motivated donors are using different criteria in their donation decisions, leading to different choices of recipients (Ashley & Faulk, 2010:43-57).

In the process of segmentation, stakeholder groups can be divided into sub-groups according to specific segmentation criteria (Lovelock & Weinberg, 1984:111). Kotler and Armstrong (2012) propose four broad categories of customer segmentation, namely geographic, demographic, psychographic and behavioural criteria that will give more specific information about the different target groups. According to Bekkers *et al.* (2011:924-973), a number of reasons exist why people donate, for example:

- They became aware of a need
- They have been solicited to give

- There are costs and benefits for them
- They care for people
- It is good for their reputation
- The psychological effect or joy of giving
- They want to make the world a better place
- They want to make a difference to a cause

In the study of Van Slyke et al. (2007:281) it was found that social context and individual characteristics jointly influence consumer responses to advertising. It was suggested that the concept of 'ethnic self-awareness' has become a medium through which particular consumers are targeted. Ethnic self-awareness and social status differences can be used to reflect either status deficit or status advantage. Any one of these two may have an impact on how to make charitable appeals based on segmented target audiences, to solicit support, and to develop a long-term donor base. It was only recently that ethnicity has become an important segmentation variable in the field of philanthropy. Up to now, donor segmentation has been based on the determinants of giving and volunteering among individual donors.

The recruitment of volunteers as a target market is a major task for NPOs and marketing can play an important role in this respect. Research in this area has focused on the segmentation of the so-called 'market' for volunteers in terms of personal values and characteristics, the types of advertising messages that are most effective for communicating with potential volunteers, and the factors that encourage volunteers to continue their services (Bennett *et al.*, 2005:797-805).

One of the challenges of non-profit organisations is to maintain their databases to use market segmentation effectively. The majority of non-profit organisations cannot afford primary data because of limited capacity and finances. As a result, they attempt to target the whole market and make less use of segmentation strategies (Blery *et al.*, 2010:57-68).

PRINCIPLE 6: DISTINGUISHING THE ORGANISATION FROM OTHERS

Developing strategies that differentiate the organisation from others

An organisation can serve its customers best by carefully choosing their value proposition. A value proposition refers to the set of benefits or value that an organisation promises to its customers when selling a specific product or service. It positions the product in the market and differentiates one brand from another (Kotler & Armstrong, 2010).

The ability of NPOs to develop strategies that differentiate them from other donor types are limited (Ashley & Faulk, 2010:43-57). The result is that non-profit organisations often overemphasise financial ratios, which may be less important than other measures (Ashley & Faulk, 2010:43-57). A more nuanced perspective is needed for differentiation. Non-profit managers and fundraisers have to make strategic choices among donor types to economise fundraising resources (Sargeant & Kähler, 2001). Non-profit organisations are facing increased pressure and competition in the new donor landscape after the global economic crisis. With the shrinking corporate social Investment (CSI) budgets, many companies need to make sure that their needs as a donor meet the organisation's mission and objectives. The companies are also looking for a return on investment, although not from a monetary perspective, but from a social and economic impact perspective. Non-profit organisations need to invest time in understanding the donor patterns and agendas of companies to decide where to apply for funding, rather than flooding the market with generic funding requests.

It is not that non-profit managers should engage in so-called 'strategic gaming' in manufacturing financial efficiency measures to appear as efficient as possible. Instead, the managers should engage in 'self-screening', that is, being selective among funding sources based on alignment of funding priorities and operating styles. This will be a step towards differentiation among donor types in the prediction of donor behaviour in response to non-profit financial information (Ashley & Faulk, 43-57).

PRINCIPLE 7: DETERMINING THE BENEFITS

The 'price' the donors are willing to pay depends on what they can benefit from the donation

The price refers to the amount that a customer is willing to pay in return for a product or service. In the non-profit sector, however, the benefits of the product are mostly going to the customer receiving the product for free and therefore the price is not a factor that the donors would evaluate against the benefit of the product. The NPO is mostly the only source of assistance for the customer (or recipient of the benefit) and the assistance is usually not something that can be measured in monetary terms. In relationship marketing customers are less sensitive to the price. The price is less important because other elements of the 'product' have priority. Donors to NPOs do not 'shop around' for the best 'price'; they donate their money to a cause to which they can relate personally (Brennan *et al.*, 1999:327-337).

The administrative ratio and the fundraising ratio that are used to measure non-profit financial efficiency, are sometimes used in studies to reflect the 'price' a donor pays when contributing to a particular non-profit organisation. The administrative ratio reflects the proportion of donated funds that are used towards administrative expenses in relation to the total expenses, while the fundraising ratio refers to the proportion of donated funds that the recipient organisation uses towards soliciting gifts in relation to the total income (Ashley & Faulk, 2010:43-57). A study investigated the impact of the financial health measures on foundation grant decisions in combination with the measures of non-profit financial efficiency, but the conclusions were not clear whether or not these ratios mattered to donors. In the context of the current competitive environment, non-profit managers and fundraisers may seek to develop a competitive edge by highlighting their financial ratios given the increased attention to these measures by the watchdogs of the NPO sector. A financially healthy non-profit organisation is described as one with access to equity balances, several revenue sources, high operating margins, and high administrative costs (Ashley & Faulk, 2010:43-57).

However, donors cannot be grouped into one category, because donations from companies and foundations must be separated from individual donations as these

target groups have different responses to price. Individual donors are less likely to examine financial statements to guide their donating decisions compared to foundations and companies (Ashley & Faulk, 2010:43-57).

Non-profit organisations can also use their success in order to attract funding if they can provide clear measurable results to funding agencies. Profit-oriented companies evaluate their performance using financial measures, but the goals of NPOs are likely to be non-financial. The performance measurement of an organisation needs to be accomplished in terms of overall effectiveness which means that a non-profit organisation's performance should be evaluated in both financial and non-financial terms (Mottner *et al.*, 2005:829).

Finding the right 'measurement of success' benchmark, is one of the hardest tasks of NPOs, but it is at the same time a critical factor in the success of an NPO. Very often the benefits resulting from the action are not self-evident and if there are no immediate rewards, it makes marketing extremely difficult. NPOs are also distinguished by the fact that benefits of the service often accrue to others, which makes it difficult to motivate donors and the target market.

Donors can claim tax deductions from the South African Revenue Service (SARS) when making a donation to a Public Benefit Organisation (PBO) that works in the following fields (Agjee, 2013):

- Welfare and humanitarian agencies
- Healthcare
- Education and development
- Land and housing
- Conservation
- Environment and animal welfare

According to Agjee (2013), donors obtain income tax benefits because they can be issued with tax deduction receipts in the form of a Section 18A certificate from the PBO. The donors may then use these receipts to claim their donations as tax deductible expenses from SARS in their annual income tax returns. All donors, an employee, a company or close corporation, can claim this deduction from SARS. The claim is, however, limited to 10 per cent of the donor's taxable income. The donation

can be in the form of cash or in-kind, which are products that are donated. There are thousands of NPOs, all competing to get their share of donor funding. The status of being a tax-exemption PBO stands a better chance of obtaining donor funding than one that doesn't have this status. Tax exemption is thus without a doubt a benefit for individuals and businesses in giving a donation.

PRINCIPLE 8: BUILDING THE ORGANISATION'S BRAND

The creation of a strong brand will enhance the success of the organisation

According to Dolnicar and Lazarevski (2009), non-profit organisation's mission is defined in advance and cannot be changed according to market needs. It is very difficult, or even inappropriate, for NPOs to modify the mission, as the core message or idea should stay the same to retain integrity.

A strong image of the non-profit organisation is the key to community awareness. Developing and maintaining a strong image by means of marketing will increase local support for the organisation (Blery *et al.*, 2010:57-68). The trend towards a marketing orientation for NPOs has been accompanied by a concern for the effective management of their external image. According to Keller *et al.* (2010:105) evidence exists of inconsistency towards strong brand management in organisations. This can be seen in the variation of brand visuals, missions and taglines that indicate inefficient structure, policy and guidelines in brand management.

The example of high-profile UK fundraising charities, which renamed and repositioned themselves in the early 1990s, significantly encouraged other non-profit organisations to manage their images in a systematic manner. These high-profile charities achieved increases in income of 10 per cent per annum after they adapted and incorporated new images. Two examples include the relaunch of the 'Spastics Society' as 'SCOPE', and the renaming of the National Marriage Guidance Society as 'RELATE' (Hankinson, 2001:346-360).

Branding has become a buzz word of the 21st century. Although branding is complex and comprises much more than merely names, symbols, logos and slogans, the world of branding can be used to enhance the success of non-profit organisations and their marketing and fundraising efforts.

In the non-profit sector the notion of spending time and money to create a brand that is not part of the NPO's core business, just does not make sense. However, a strong brand will require time and money. Branding is part of an NPO's core business, because it gives clarity of purpose and a positive perspective. Branding is also an essential tool for building long-term brand equity and does not have to be an expensive process. Non-profit organisations often unknowingly understand the essence of branding quite well as passion is a key component of their existence. In other words, NPOs are often much closer to having a great brand than they think.

Donors expect a professional approach to image management among NPOs (Bennet *et al.*, 2005:797-805). Recent academic research in the field of the image building of charities has concentrated on the links between charity image and charity reputation and how charity reputations are formed. 'Reputation' is a concept that is related to, but differs from, image, and is a value judgement about an organisation's qualities that are

built up over a period and focusing on what it does and how it behaves. It has a historical dimension as it comprises on an organisation's trustworthiness and reliability that are based on past performance. Charities need a salient image and a sound reputation. A sound reputation can withstand the occasional adverse publicity, stimulates trust, encourages donor loyalty, and enhances the organisation's competitive (fundraising) position.

Bennett *et al.* (2005:797-805)

PRINCIPLE 9: COMMUNICATING WITH A STRATEGY

Developing communication messages for the different target groups

Integrated marketing communication is about developing consistent messages to target markets by means of the promotion activities of an organisation, using different types of media such as television, radio, magazines, the Internet, mobile phones and social media. Communication technology has developed immensely and consumers have instant access to information by means of the internet and social media. This is one of the reasons why integrated marketing communication has become so important. Marketers must organise and assemble available information to build a consistent brand message. The work situation and social environment are changing, with more people using mobile phones or communicating through social media sites such as Facebook, LinkedIn, Pinterest, and Twitter. Traditional media such as magazines,

newspapers and television, thus have to compete with new media communication platforms which, apart from the Internet, social media sites and cell phones, also include user-generated content such as blogs, and YouTube (Bennett *et al.*, 2005:797-805).

As the media landscape changes, marketers may change the type of promotions they use in order to reach their target markets. With changing technology and social media, less money is allocated for traditional media such as magazines, while more money is budgeted for non-traditional media. Regardless of the type of media used, marketers use integrated marketing communication to deliver one consistent message to consumers. Strategic communication means communicating the best message, through the right channels, measured against well-considered organisational and communication goals.

Since the target market is wide and diverse, the message cannot always be designed effectively to influence all people. The message of many non-profit organisations is often poorly formulated, cannot describe the service adequately and cannot emphasise the personal benefits of the service in sufficient detail. The question is what and how to communicate to prospective donors (Van Slyke *et al.*, 2007:283).

In 2000, the Steyn and Puth-model for strategic communication management in NPOs was developed in SA (Steyn & Puth, 2000). It was discovered that NPOs can theoretically apply the model, but that it is not practically feasible, because NPOs have unique constraints. Communicating strategically is important in the case of donors to repeat and increase donations. Non-profit organisations are not financially in the position to appoint or contract staff members that are qualified in the field of communication, but existing staff members can be trained in the principles of strategic communication, because they are already in a sense practising it (Wiggill, 2011:227).

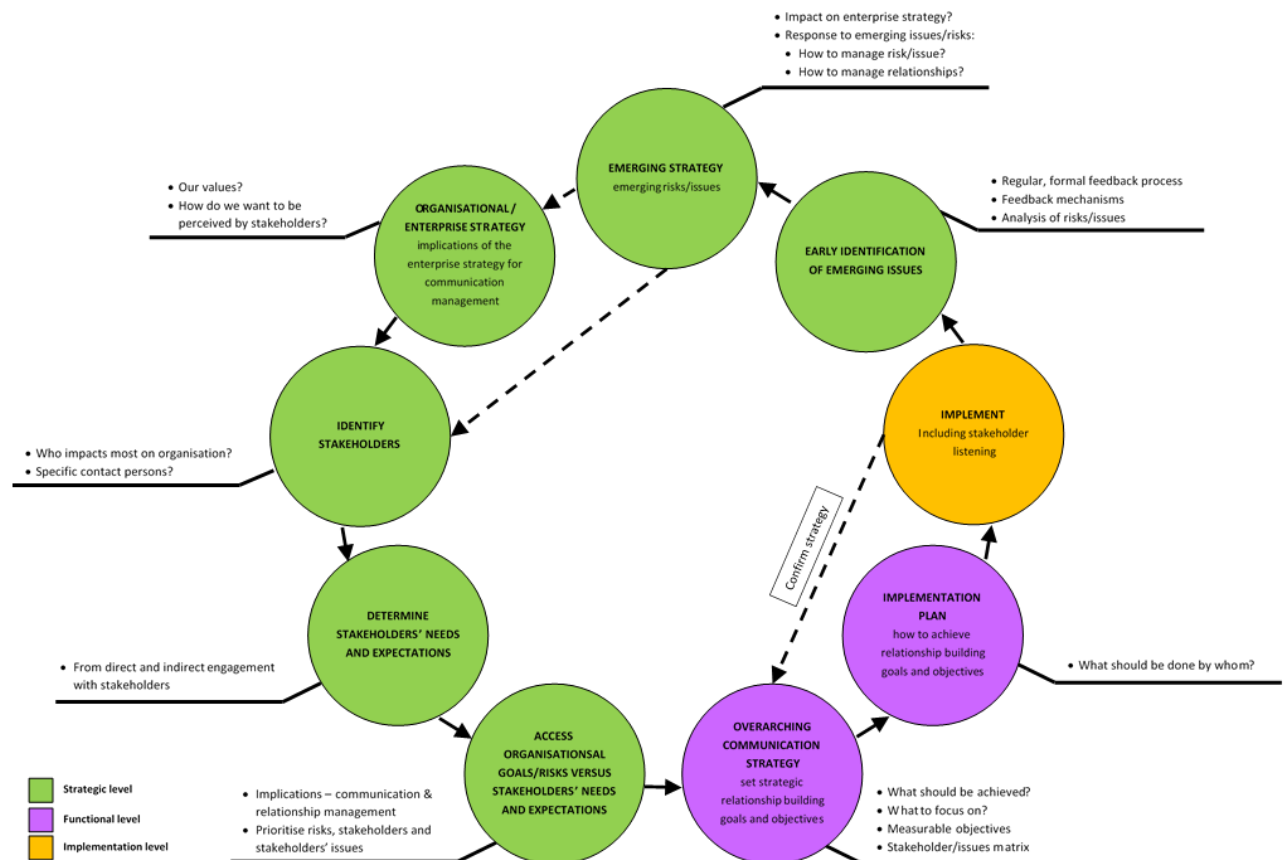


Figure 3.1: A simplified version of the Steyn and Puth-model (2000)

PRINCIPLE 10: CHOOSING THE BEST PLATFORMS

Communicating through channels the customer will most probably use

Non-profit organisations should employ multiple communication means for their promotion initiatives, such as direct mail, newsletters, magazines, newspapers, and the Internet. Other types of promotion methods used by NPOs are phone calls, letters, e-mails, reports, logos, press releases and brochures. The majority of NPOs cannot advertise on television because the cost is too high. They can, however, form alliances with newspapers and magazines to have their advertisements placed free of charge. In all these marketing materials of NPOs, the benefits, services, donation opportunities, and values of the NPO should be described (Blery *et al.*, 2010:57-68).

Non-profit organisations should develop and maintain a professional Internet presence by creating their own website. This website can contain useful information, news,

monthly newsletters and events, while it can also create a sense of community, provide alternatives to donate money, and showcase the benefits of the organisation.

Slogans should be used because they can effectively capture the essence of a message in a brief and memorable form. In addition, message repetition and variation is important, because an audience is more likely to remember a message if it is reiterated in different types of communication. Promotional strategies are needed to ensure a steady supply of volunteers (Bennett *et al.*, 2005:797-805).

Triologue, a consultancy that focuses on issues of corporate social responsibility, gave 67 fundraising and marketing tips for NPOs in celebration of Nelson Mandela Day 2015. They highlighted the importance of using social media as a marketing platform. Social media is here to stay and social media platforms will continue to diversify as user popularity grows. Instead of newspapers, this is where many social media users obtain their news from. Non-profit organisations should therefore consider the nature of the content they would like to share and which social media platforms will best support such content. Facebook and Twitter are still the most popular platforms among South African NPOs. Facebook should thus be updated daily and the more Tweets one is able to send per day, the better. Non-profit organisations can use a social media management application, such as '[Hootsuite](#)', to help schedule posts in advance to save time (Triologue, 2015).

Non-profit organisations can share links of their social media pages on other platforms, including their website, newsletter, staff email signatures and business cards, and any other marketing material, such as banners and brochures.

PRINCIPLE 11: DISCOVERING THE MOMENTS OF TRUTH

Building and maintaining positive customer and partner relationships

The transaction end of the marketing continuum is the technical quality of a product, which is a very important aspect. However, at the relationship marketing end of the continuum, it is the quality of the relationship that becomes important. As there is more than one interaction between the organisation and the client, it is important that each of these interactions is experienced as positive to encourage the continuation of the relationship. Some of these interactions will be more important to the customer than

others. These interactions are described as the 'moments of truth'. To maintain a quality relationship with the customer (also essential in an NPO), it is crucial that everyone in the organisation recognises these moments of truth. The 'part-time marketers', such as volunteers, often do not realise the significance of these moments of truth. They are not concerned so much with the quality of a customer relationship, as they are with their personal contribution to a cause (Blery *et al.*, 2010:57-68).

NPOs should search for alliances with other organisations, government, advertising media, and the business sector because this would benefit them the most. The importance of these alliances are confirmed by *GreaterGood South Africa* (GreaterGood SA, 2014) that believes in collaboration and the building of networks and partnerships as important strategies for non-profit organisations to survive in the current NPO environment.

PRINCIPLE 12: PRACTISING ETHICAL MARKETING

Non-profit organisations should act in an ethical and responsible way when executing marketing activities

In the context of this study ethics is more a philosophy that is embedded in all marketing activities. It seeks to promote honesty, fairness and responsibility. Marketers should comply with the regulations and standards established by government and professional organisations regarding ethical behaviour (Marketing-Schools, 2012). Consumers should be treated fairly according to the Consumers Protection Act, nr 68 of 2008 (Acts Online, 2016). The Act was established to

promote a fair, accessible and sustainable marketplace for consumer products and services and for that purpose to establish national norms and standards relating to consumer protection, to provide for improved standards of consumer information, to prohibit certain unfair marketing and business practices, to promote responsible consumer behaviour, to promote a consistent legislative and enforcement framework relating to consumer transactions and agreements.

Consumers Protection Act (2008)

According to Brown (2011) non-profit organisations should design and implement their own ethical fundraising policies. Without such policies, donors would become sceptical of non-profit organisations, and would want to know how funds are raised and how donors' investments are managed. They would even want to know the background details of board members and senior managers. Finally, they would want reassurance that their money is spent in a responsible manner and that business is being conducted in an open and honest way.

3.4 SUMMARY

In this chapter the concept of marketing in general and marketing for non-profit organisations were discussed. The twelve marketing principles that are essential for the non-profit sector were formulated. The next chapter consists of the findings of the empirical study on the views of marketing managers regarding the essential marketing principles for NPOs.

CHAPTER 4

FINDINGS OF THE EMPIRICAL STUDY ON THE VIEWS OF MARKETING MANAGERS REGARDING THE ESSENTIAL MARKETING PRINCIPLES FOR NON-PROFIT ORGANISATIONS

4.1 INTRODUCTION

In the preceding chapters it was mentioned that the non-profit sector is currently in the fourth stage of its development since the American Revolution, namely the competitive market stage (Weideman, 2012:30). The competitive market stage is characterised by increased competition for public support among voluntary organisations. Feuk (2011:1) also notes that the continuous growth of non-profit organisations (NPOs) has resulted in fierce competition among them to obtain funds from donors. Marketing and fundraising has thus become a major challenge for the management of NPOs (Nagoya University of Commerce and Business Global Non-profit Management Team, 2013:8).

Studies of fundraising for NPOs have shown that the increased levels of competition for donations have led to the implementation of marketing principles and the use of marketing techniques (Weideman, 2012:103). Charities have only recently begun to embrace marketing concepts such as a marketing orientation, market segmentation, customer relationship marketing and branding (Hassay & Peloza, 2009:25).

In this chapter the researcher will present the views of marketing managers regarding the essential marketing principles for non-profit organisations.

4.2 DELIMITATION OF INVESTIGATION

From working in the NPO sector, the researcher has gained firsthand experience in marketing and fundraising for a non-profit organisation and realises the challenges of NPOs to become more marketing-oriented and the importance of implementing marketing strategies. NPOs, on the other hand, are aware of the importance of marketing to raise funds for sustainability, but many of them do not understand the essential principles of marketing in an NPO environment.

A literature study was conducted to investigate the scope and size of the NPO sector, the funding challenges of NPOs, the need for marketing, and the essential marketing principles for non-profit organisations. A qualitative research approach was used in this study to determine the essential marketing principles for non-profit organisations as viewed by marketing managers. Qualitative research is concerned with people's perceptions of the social world, and not about numerical statistical data. We have to understand people's social intentions to completely understand the social world (Miller & Brewer, 2003).

The sample consisted of 20 participants who were marketing managers for NPOs at the time of the study. Fifteen (15) of the participants were employees at 13 organisations, and the other five were marketing consultants contracted by several NPOs. The data in this study represent the views of marketing managers who worked for or with more than 20 NPOs.

Table 4.1: Profile of Participants

PARTICIPANT	FORMAL TERTIARY QUALIFICATION	YEARS OF EXPERIENCE IN MARKETING	YEARS OF EXPERIENCE IN THE NPO SECTOR
Participant 1	BA (Communication)	10 years	6 years
Participant 2	BA (Communication) BA (Drama and Theatre Studies)	1 year	1 year
Participant 3	ND: Business Management	20 years	15 years
Participant 4	B (Social Science)	33 years	7 years
Participant 5	BA (Communication) ND: Copywriting	3 years	3 years
Participant 6	ND: Public Relations Management ND: Public Administration	24 years	24 years
Participant 7	ND: Public Relations Management	16 years	10 years
Participant 8	B Tech (Public Relations and Communications)	26 years	13 years
Participant 9	M (Social Science)	1 year	2.5 years
Participant 10	BA (Graphic Design)	31 years	4 years
Participant 11	B Th ND: General Management	25 years	25 years
Participant 12	B Tech (Public Relations Management)	9 years	3 years
Participant 13	M (Social Development)	2 years	24 years
Participant 14	BSc Hons (Animal Science)	4 years	15 years
Participant 15	B Theology	14.5 years	40 years
Participant 16	none	21 years	21 years

PARTICIPANT	FORMAL TERTIARY QUALIFICATION	YEARS OF EXPERIENCE IN MARKETING	YEARS OF EXPERIENCE IN THE NPO SECTOR
Participant 17	Master in Library and Information Science	16 years	36 years
Participant 18	MCom (Marketing)	16 years	6 years
Participant 19	BEEd (Primary Education)	15 years	10 years
Participant 20	ND: Printing Media	20 years	5 years

Key of diplomas and degrees: BA: Bachelor of Arts; ND: National Diploma; BTech: Bachelor in Technology; BScHons: Bachelor of Science Honours; BTh: Bachelor of Theology; MBib: Master of Library and Information; BEEd (Primary): Bachelor of Education (Primary Education); MCom: Master of Commerce (Marketing); M (Social Work); M (Social Science); M (Social Development): Master of Social Work; Master of Social Science; and Master of Social Development

4.3 GATHERING AND ANALYSIS OF DATA

The researcher used the purposive sampling method and the snowball technique to collect the widest and most diverse range of information as possible. Kolb (2008:113) explains that purposive sampling takes more time and effort, because fewer participants are required for qualitative research, but the most suitable participants must be selected. This type of sampling is actually very judgemental, because the researcher will decide which participants have the best characteristics, representation or attributes to serve the purpose of the study (De Vos *et al.*, 2011:392).

In the case of this study, the researcher identified 20 marketing managers who specifically had experience in working with or for non-profit organisations. The marketing managers were identified and contacted telephonically after which an interview time and location was scheduled with them. Semi-structured, one-to-one interviews were conducted with the marketing managers in order to gather data on their views on essential marketing principles for non-profit organisations.

A pilot study was first conducted using two participants who qualified for inclusion in order to ensure that no questions were ambiguous or limiting to the study. No changes were made to the interview schedule. All interviews were conducted between June and September 2016 in either Afrikaans or English, and were recorded with permission from the participants.

The researcher gave the participants the assurance that complete confidentiality would be maintained. The consent forms were also explained and then signed by both parties

(see Annexure A). Participants were encouraged to ask for a better explanation if any of the questions were unclear. The interviews generally lasted about 45 minutes each. The audio recordings were transcribed shortly after the interviews took place. This chapter will compare the gathered data to the literature study. Narratives that best voiced the experiences of participants and that reflected the captured essence of the themes were chosen and are provided in this chapter as well. The themes and sub-themes that emerged are listed in Table 4.2.

Table 4.2: Themes and Sub-themes

THEMES	SUB-THEMES
<u>Theme 1:</u> Reasons why NPOs have funding challenges	Global economic crisis
	Growth of NPO sector
	Change in donor behaviour
	Insufficient marketing and fundraising expertise
	Leadership crisis
<u>Theme 2:</u> Factors that will ensure the sustainability of NPOs	Good governance
	Income-generation
	Quality service
	Building relationships
	Marketing and communication
<u>Theme 3:</u> Reasons why marketing has become a necessity for NPOs	To raise funds
	To communicate effectively
	To build a brand
<u>Theme 4:</u> Essential marketing principles for NPOs	Relationship marketing
	Marketing orientation
	Understanding the marketplace
	Understanding the concept of consumer
	Market segmentation
	Differentiation and positioning
	Pricing
	Branding
	Communication strategy
	Communication channels
	Customer and partner relationships
	Ethical marketing
	Other marketing principles

The themes and sub-themes, as listed in Table 4.2, will be presented next along with the excerpts from the participants. After each theme and sub-theme the excerpts will be analysed, interpreted and compared with the relevant literature.

4.4 RESULTS OF INVESTIGATION

The findings of the study will be discussed under the following themes:

- Theme 1: Reasons why NPOs have funding challenges
- Theme 2: Factors that will ensure that NPOs are sustainable
- Theme 3: Reasons why marketing has become a necessity for NPOs
- Theme 4: Essential marketing principles for NPOs

4.4.1 Identification details

The identification details of the participants are divided into two sub-themes, namely:

4.4.1.1 *Formal qualifications*

Participants were asked what formal qualification they had. Less than half of the participants indicated that they had a formal qualification in marketing, communication or public relations. The other participants had a formal qualification in various other fields, such as the social sciences and theology, and only later entered the NPO sector doing marketing.

According to the Nagoya University of Commerce and Business (NUCB) Global Non-profit Management Team (2013:10), only a small proportion of staff members in non-profit organisations who work in the marketing field have been educated in marketing. Only 18 per cent have studied marketing at university level.

4.4.1.2 *Years of experience in marketing and/or NPO field*

All the participants had work experience in the NPO sector or in the marketing field. The participants' experience in the NPO sector varied from 1 to 36 years and those in the marketing field from 1 to 33 years.

4.4.2 Theme 1: Reasons why NPOs have funding challenges

As was explained in Chapter 2, the NPOs are increasingly facing funding challenges. The participants were asked what they deemed as the main reasons why NPOs were having funding challenges. These challenges will now be presented, discussed and

analysed according to the relevant sub-themes, as listed in Table 4.2. The results are divided into the following sub-themes:

- Sub-theme 1: Global economic crisis
- Sub-theme 2: Growth in NPO sector
- Sub-theme 3: Change in donor behavior
- Sub-theme 4: Insufficient marketing and fundraising expertise
- Sub-theme 5: Leadership crisis

4.4.2.1 Sub-theme 1: Global economics crisis

The majority of participants indicated that the economic situation in South Africa was one of the main reasons for the funding challenges of NPOs because it caused a decrease in funding by individuals, companies and international agencies.

The following narratives are examples of how the economy contributed to the decrease in funding from individuals. The English translations of the Afrikaans excerpts are indicated in normal brackets, and the sub-themes are underlined. For the sake of clarity and readability of certain statements and words, the researcher has indicated her own insertions in square brackets.

Participant 12: “[Die] ekonomie speel ‘n groot rol, mense het nie geld wat hulle net kan weggee nie, hulle gee dit meeste van die tyd vir hulle familie wat swaarkry.”

([The] economy plays a big role, people do not have money that they can simply give away, most of the time they give it to their families who are suffering.)

Participant 13: “*The economic down-turn has an impact on where people put their money - charity begins at home.*”

Participant 11: “*Die swakker huishoudelike ekonomiese posisie.*”
(The weaker domestic economic situation.)

Participant 1: “[Die] stryd om oorlewing en die geweldige disparity tussen mense wat baie ryk is en mense wat baie arm is.”
([The] struggle for survival and the vast disparity between people who are very rich and people who are very poor.)

It emerged from the underlined words in the narratives that a number of participants experienced a decrease in funding from individuals. According to these participants, most people were struggling to survive. Individuals had less money and their priority was to care for their families first.

The following narratives relate to a decrease in funding from companies due to the economy.

Participant 9: *"The climate in terms of corporate funding has seriously changed."*

Participant 7: *"In die huidige ekonomie is dit so dat maatskappye aan hulle geld vashou ... baie maatskappye is net besig om begrotings te sny."*
(In the prevailing economic situation companies hold onto their money ... many companies are just trying to cut budgets.)

Participant 9: *"There is a weariness around giving money ... [a] gate-keeping culture in the corporates ..."*

Participant 13: *"Where there is less profit, there is less available in the business sector."*

Participant 16: *"Besighede wat geld gee – vir baie is dit net omdat hulle moet CSI of BEEpunte kry."*
(Businesses that give money – for many it is just because they have to obtain CSI or BEE points.)

In all these narratives, the words refer to the corporate sector that had less money to fund NPOs due to the poor economic conditions. The participants reported that the companies were cutting their budgets and kept the money to themselves. The participants also mentioned that the businesses only donated money to earn points for their B-BBEE or CSI compliance. It was also their experience that there were changes in the corporate sector, such as more defined priority focus areas, a weariness, and gatekeeping because of the number of funding applications the corporate sector received.

The following narratives relate to a decrease in funding from international agencies due to poor economic conditions.

Participant 8: *"We've had a spoiled period of getting funding from America and Europe. The reality hit us hard with the world economy changing ..."*

These comments correlate with the findings of a follow-up survey by *GreaterGood South Africa* in October 2013. According to this survey, many NGOs in South Africa were still challenged by funding cuts, resource constraints and an unstable financial position. According to 46 per cent of the participants in *GreaterGood SA's* study, the funding environment for NPOs had worsened. The funding cuts came from the National Lotteries Board (reduced by 40 per cent), the corporate social investment (CSI) departments (reduced by 39 per cent), individuals (reduced by 34 per cent) and a reduction of 17 per cent from international donors (*GreaterGood SA*, 2014).

4.4.2.2 Sub-theme 2: Growth of the NPO sector

In Chapter 2, the literature referred to the growth of the NPO sector as an “associational revolution” (Macedo & Pinho, 2006:533). The following narratives relate to the growth of the NPO sector, which the participants cited as another reason for the funding challenges experienced by NPOs:

Participant 4: *“There are too many people (NPOs) that have to access funding, a lot of emerging organisations ... they also share in the amount of money.”*

Participant 9: *“The volume of NPOs has vastly increased – a lot of us that want a piece of the cake, but the cake did not get bigger, all of us try to grab a slice.”*

Participant 10: *“[Die] nood in die land het meer geword.”*
([The] need in the country has worsened.)

Participant 11: *“Daar is meer NPOs wat vir dieselfde teikenmark mik, maar die koek raak nie groter nie ... die NPOs raak meer, so die kompetisie is strawwer.”*
(There are more NPOs aiming for the same target market, but the cake does not get bigger ... the number of NPOs increase, so the competition is tougher.)

Participant 13: *“More organisations and less money.”*

These views indicate that there has been an increase in the number of non-profit organisations. More NPOs have been established due to the escalating poverty levels in South Africa. Participants mentioned that there were too many NPOs that had to share the available funding resources which caused fierce competition among the NPOs. Many of the emerging organisations were not even properly defined to make an impact, but they shared in the resources.

The participants' views correlate with Feuk's (2011:1) findings that South Africa was experiencing a rapid growth in the NPO sector. The study mentioned that there were 100 000 registered non-profit organisations in South Africa and approximately another 50 000 unregistered organisations, compared to the modest number of 2 000 registered NPOs that South Africa had in 1994. The study on the scope and size of the NPO sector in South Africa done by Russell and Swilling, undertaken between 1998 and 2000, also revealed that nearly 100 000 organisations in South Africa competed for donations. Many of these organisations have been reported to be less formal, local and community-based and they lacked fundraising and management expertise (Weideman, 2012:34).

4.4.2.3 Sub-theme 3: Change in donor behavior

According to the majority of the participants, the changing giving culture and saturated donor community contributed to the funding crisis of NPOs. The following narratives relate to the disposition of society towards giving:

Participant 1: *"Ek dink ook SA is baie kapitalisties, mense dink in terme van wins en ek dink nie hulle dink in terme van om in mense te belê nie, want hulle sien nie die rand-en-sent waarde daarvan nie."*

(I also think South Africa is very capitalistic, people think in terms of profit and I do not think they think in terms of investing in people, because they do not see the rand-and-cents value thereof.)

Participant 1: *"Die algehele bewussyn van die samelewing ... om mense te help. Ek dink spesifiek aan individuele donateurs ... wat net daarop ingestel is as dit regtig iets is wat hulle raak, as hulle ... iemand het in die familie wat verslaaf was of ... miskien al 'n kind in pleegsorg geneem het."*

(The overall awareness of society ... to help people. I specifically think of individual donors ... who are just involved if it really is something close to them, ... if they ... have someone in the family who was addicted or ... maybe have taken a child in foster care.)

Participant 17: *"Vir 'n groot deel van die bevolking in SA is fondsinsameling nie iets wat normaalweg kom nie, dit maak onmiddellik die koek klein."*

(For a big portion of the population in South Africa fundraising is not something that comes naturally, it immediately reduces the size of the cake.)

In these narratives, the words that emerged refer to the reluctant giving culture of South African society that was cited as a reason for the funding crisis of NPOs. The participants pointed out that South Africans were capitalists and that their investments were more important to themselves than to invest in other people. The participants were of the opinion that for a large part of the country's population, being a donor was not a natural occurrence. They noted that many people were unaware of the work being done by NPOs, until it affected their own circle of family or friends.. It thus seems that the percentage of people in society that become donors is very small compared to the large number of organisations that need public support.

These views are in contrast with the findings of a study by the Centre for Civil Society, the Southern African Grantmakers' Association and the National Development Agency in 2003 on social giving among South Africans. These institutions' study showed that South Africans appeared to be a nation of givers with 54 per cent of respondents who gave money to charities and other causes, 31 per cent who donated food or goods to charities and other causes, and 17 per cent who volunteered their time.

As mentioned earlier, the declining donor market also contributed to the funding challenges of the NPOs, and was observed in the following narratives:

Participant 15: *"Ons donateursbasis is baie verouderd, in die sin dat jy baie ouer mense het en hulle sterf uit, daar is nie baie jongeres wat hulle plek inneem nie."*
(Our donor base is aging, in the sense that you have a lot of older donors and as they pass away, there are not many young people who replace them.)

Participant 15: *"Met verarming is daar baie kinders wat terugtrek ouerhuis toe; dit word 'n 'kommune' waar mense vir mekaar omsien en daar is nie altyd ekstras om vir 'n organisasie te gee nie."*
(With impoverishment, there are many children who move back to their parents' homes; it becomes a 'commune' where people care for each other and there are not always extras to give to an organisation.)

Participant 15: *"Omdat mense pensioengeld gebruik om vir hul kinders te sorg, is daar nie meer so baie boedels nie."*
(Because people's pension money are used to care for their children, there are not so many estates.)

Participant 17: *“Daar is so baie NPOs in ons land en almal fokus op dieselfde groep (donateurs).”*

(There are so many NPOs in our country and they all focus on the same group [donors].)

Participant 13: *“Quite a lot donor fatigue.”*

Participant 15: *“Die opkomende middelklas is nog besig om hulle voete te vind, hulle koop nou karre, reise, beleggings ... nie ekstras om weg te gee nie ... in hulle gemeenskap sorg hulle onder mekaar, hulle gooi nie geld in ‘n poel waar ander mense vir hulle sorg nie (Ubuntu-beginsel).”*

(The emerging middle class are still finding their feet, they are buying cars, travel, investments ... not extras to give away ... in their community they care among themselves, they do not throw money in a pool where others care for them [Ubuntu principle].)

The underlined discourse indicates that the existing donors had less money and are overwhelmed by all the need in our country. The participants referred to donor fatigue, because fewer donors had to give to more organisations. The NPOs' databases of donors were aging and the contributions diminished because they retired or they passed away. In this small group of donors there were also people that became unemployed or had to take care of their children and their families, and therefore had to stop their contributions to a charity. The participants further reported that bequests were also reducing, because pensioners were using all their money to live and care for their family. The emerging black middle class was only starting to build their own wealth. In the black culture it is also more acceptable to take care of their own family than to give money to charities.

These observations correlate with the recommendations of a study by Swilling and Russel (2002) that generation, gender, and race should be considered in identifying the donor markets and not only the predominantly white and older audience of the past. The future adult population will be those who were born after World War II. In the future, donors will decide on when, how often and in what format the charities should contact them (Weideman, 2012).

The following narratives relate to the donation patterns of funders that contributed to the funding challenges of NPOs:

Participant 16: *“Omdat ons ‘n Christelike uitgangspunt het ... en ons is baie eksplisiet daaroor – het dit ook ‘n invloed op befondsing.”*
(Because we have a Christian point of view ... and we are very explicit about it – it also has an impact on funding.)

Participant 8: *“Because of the spoiling overseas (money came in), our government sat back (why should we put money in), that damaged the relationship of a partnership between NGOs and government. I believe government should have partnerships (not fund NGOs) – business agreements with NGOs.”*

The participants indicated that companies were not eager to fund faith-based NPOs. In a similar vein, Weideman (2012:40) found that NPOs that are doing missionary work, for instance, are part of those that find it very difficult to procure funds in the competitive NPO environment, as they are funded by a small, segmented group of individuals, and cannot gain access to funds from government, trusts or the corporate sector.

According to the participants, government funding was insufficient because of the type of relationship between government and NPOs. In the past the government relied on international funding as substitute to their responsibility to fund NPOs. Government does not see NPOs as their partners in rendering essential services, but as service providers.

This tendency by government correlates with the literature that government appears to see its funding of NPOs as the generous granting of gifts and awards, and not as paying for the basic and essential social services rendered by these organisations. Government views the NPOs as their benefactor and not a partner in delivering the services to the poor and vulnerable (Ritchie, 2011). This notion has also been confirmed by Patel (2012:611), who states that one of the biggest challenges for social welfare services in SA, is the inadequate financing of NPO services by government.

4.4.2.4 Sub-theme 4: Insufficient marketing and fundraising expertise

All the participants said that the NPOs faced funding challenges because they had insufficient marketing and fundraising expertise. The following categories were identified in the narratives that indicate why NPOs lack marketing and fundraising expertise:

- NPOs are not business-oriented and marketing-oriented
- NPOs do not understand marketing principles and the link between marketing and fundraising
- NPOs do not have sufficient marketing resources

The following narratives specifically relate to the fact that organisations are not business and marketing-oriented:

Participant 1: *“Baie organisasies is nie bemarkings-georiënteerd nie.”*
(Many organisations are not marketing-oriented.)

Participant 14: *“Non-profits run ourselves too different from businesses, we do not see ourselves on the same level (as businesses) – that is catastrophic for the sector, it is us, how we sell ourselves to the world.”*

Participant 4: *“[A] lack of professionalism within the welfare sector – it is hard work – you are a marketer and fundraising follow from that.”*

Participant 11: *“n Bemarkingsplan wat uitgedien is, dit moet soepel wees, dinamies.”*
(A marketing plan that has become obsolete, it should be flexible, dynamic.)

The underlined words in the narratives are examples of NPOs not being marketing-oriented. The views suggest that NPOs are not business-like either, and that they do not adapt the concept of marketing to gain resources, like businesses do to attract customers.

The participants' remarks can be linked to the findings of Mahmoud and Yusif (2012:624) who argue that an organisation can achieve a competitive advantage by changing the organisation to be more marketing-orientated. According to Dorenkamp and Buber (2008:13), an organisation needs to have a marketing-orientation to develop a fundraising model in the context of marketing.

The following narratives indicate that NPOs do not understand the principles of marketing:

Participant 1: *“Daar is baie bewusmaking nodig.”*
(A lot of awareness is needed.)

Participant 4: *"You need to understand to build your brand properly, if you have a good reputation and a good brand, the money will follow."*

Participant 14: *"... create brand awareness ... create visibility – we are top of mind to our funders."*

Participant 6: *"I think there is a lot of funding, the R40 billion that gets pumped into the sector – why can't people access that? They do not know how you apply marketing principles."*

The underlined words and statements in these narratives relate to creating awareness and building a brand. The participants referred to branding as an essential marketing principle that non-profit organisations should apply to obtain funding. These results concur with the findings of Blery *et al.* (2010:57-68) that a strong image is the key to community awareness. Thus, it is important to develop and maintain a strong image through marketing, as the latter will increase local support for the organisation.

In the following narratives, the funding challenges of NPOs are linked to a lack of marketing resources:

Participant 11: *"[n] Gebreke aan bemarkingshulpbronne (finansies; menslike hulpbronne), uiters belangrik is 'n bemarkingsafdeling in 'n NPO, anders is dit 'n groot uitdaging."*

([A] lack of marketing resources (finance; human resources), it is extremely important to have a marketing department in an NPO, otherwise it is a great challenge.)

Participant 12: *"Organisasies het nie die kapasiteit om die rol te vervul om te kommunikeer nie."*

(Organisations do not have the capacity to fulfill the role to communicate.)

Participant 14: *"The marketing has been a nightmare, I start to study the subject myself, most NPOs do not have a marketing team or a dedicated fundraiser."*

Participant 6: *"It is more a skills dilemma."*

Participant 14: *"When we fundraise money, we do not fundraise money for essential key activities such as ... a marketing team, dedicated fundraiser, or IT team."*

The underlined words and statements denote a lack of marketing skills and capacity in NPOs. According to the participants, the lack of resources and expertise in marketing

and fundraising contributed to the lack of funding in NPOs. Linking with the above narratives are the findings of the NPO Summit in 2012, hosted by the Department of Social Development, where it was stated that the fundraising expertise in NPOs was insufficient (Brown, 2012).

4.4.2.5 Sub-theme 5: Leadership crisis

The majority of the participants said that the lack of leadership and insufficient management skills were key reasons for the funding challenges of NPOs. The views of the participants will be discussed according to the following categories:

- NPOs lack leadership
- NPOs lack sufficient management skills
- NPOs are not innovative

The following narratives relate to the lack of leadership:

Participant 4: *"The NPO sector does not have a lot of advocates that really put our message across in a very professional way and make the people accountable."*

Participant 6: *"Leadership crisis – transfer of leadership ... a good succession planning programme, people do not register their organisations – this has a lot to do with leadership. It is a leadership dilemma."*

Participant 9: *"As NPOs we really have to pull our acts together."*

Participant 14: *"After the financial crisis, for me it was essential, if we do not change the way we operate, we will die ... I came to the board, I fired the board, fired the leadership ... there was a completely shift of mind. Before we never pushed enough to find money as a business."*

Participant 14: *"Our mission is to transform, we joined the sector to impact."*

The words in the narratives refer to the inadequate leadership among NPOs. The participants indicated that NPOs did not transfer leadership skills in the organisation, nor did they ensure compliance or did they transform to ensure sustainability. They also did not fulfil their role as advocates of the NPO sector.

The insufficient management skills were indicated by the following narratives:

- Participant 4: *“NPOs moet besef dat daar ‘n verantwoordelikheid is – hulle moet begin dink soos besighede.”*
(NPOs must realise that there is a responsibility – they need to start thinking like businesses.)
- Participant 9: *“But as NPOs we really have to pull our acts together, corporates are interested to fund, they require us to show impact, it forces us to be more intentional.”*
- Participant 11: *“Sommige NPOs het ‘n slegte naam en dit impakteer op die ander, mense is meer skepties oor hoe donasies bestuur word, die hele ding van integriteit is ter sprake.”*
(Some NPOs have a bad name and it impacts on the other, people are more skeptical about how donations are managed, the whole thing of integrity is at stake.)
- Participant 14: *“NPOs run themselves too different from businesses.”*

The NPOs should be managed according to business skills to ensure impact, good governance and integrity. The words in the narratives refer to business, management and impact.

The participants also referred to the lack of innovativeness of NPOs, according to the following narratives:

- Participant 6: *“There are more innovative ways to do stuff, NPOs are not geared up for that, for example they don’t have the technology.”*
- Participant 9: *“We got stuck in a rhythm, we are human. We fall in a pattern like the one before you, the younger generation learn from the older generation – those days are over.”*
- Participant 11: *“Now is very difficult, (you) have to think out of the box, and think self-sustainability – NGOs should be self-sustainable.”*

The lack of leadership and insufficient management skills pointed out by the participants are consistent with the findings of Gastrow (2013), namely that NPOs have to manage their organisations according to business principles which include strategic management, monitoring and evaluation, and management skills. NPOs are accountable and representative of their members, beneficiaries, donors and communities. Cornuel and Kletz (2011:483-491) also indicate that the relationship of

NPOs with corporations may lead to ‘managerialism’, which means that the NPOs should have more streamlined managerial structures in place, and demonstrate a higher degree of professionalism. This, in turn, would increase the need for more competent managers in the NPO sector.

4.4.3 Theme 2: Factors that will ensure the sustainability of NPOs

According to Brown (2014), there are seven factors that can ensure the sustainability of NPOs. She defines them as “legal good standing and compliance; organisational capacity and expertise to do the work; financial viability of the organisation; advocacy for the work undertaken that will make a difference; quality and professionalism of service provision; stable infrastructure and building of a brand that portrays a positive public image” (Brown, 2014).

The participants of the present study were asked which factors they thought would ensure the sustainability of NPOs. These factors will be presented next, discussed and analysed according to the relevant sub-themes, as was displayed in Table 4.2:

Sub-theme 1: Good governance

Sub-theme 2: Income-generation

Sub-theme 3: Quality service

Sub-theme 4: Building relationships

Sub-theme 5: Effective marketing and communication

4.4.3.1 Sub-theme 1: Good governance

The majority of the participants agreed that non-profit organisations should be well-managed to attract money as indicated in the following narratives:

Participant 1: *“Bestuurskundigheid, veral NPOs, moet ook as ‘n besigheid bedryf word.”*

(Management expertise, especially NPOs should also be run as a business.)

Participant 14: *“Leadership is important; the true leadership comes from within the organisation. I am still questioning the value of a board – the majority are not functioning.”*

- Participant 18: *“Good governance [Goeie bestuur] – dit gaan oor jou financial policy en procedures [finansiële beleid en prosedures] wat in plek moet wees, soos bv Art 18A-kwitansies.”*
(Good governance – It's about your financial policy and procedures that must be in place, such as Sect 18A-receipts.)
- Participant 17: *“Sterk leiding, die organisasie moet weet wat sy visie, missie en waardes is en duidelik na vore kom – ook in fondsinsameling.”*
(Strong leadership, the organisation needs to know its vision, mission and values and it must be clearly portrayed – also in fundraising.)
- Participant 6: *“Definitely good governance, definitely leadership and sustainability. They have to have strong financial teams.”*
- Participant 11: *“Goeie finansiële bestuur – [dit] het met integriteit te maak en vertroue in die NPO.”*
(Sound financial management – [it] has to do with integrity and confidence in the NPO.)

In all these narratives the words ‘good governance’, ‘leadership’, ‘management’ and ‘financial management’ emerged. The participants emphasised the importance of good governance and true leadership to ensure the sustainability of NPOs. These views of the participants relate to the findings of Gastrow (2013) that resources are available to NPOs, but that it requires good governance; leadership that build relationships with supporters, a clear vision and excellent financial management skills to attract these resources.

4.4.3.2 Sub-theme 2: Income-generation

The participants indicated that NPOs should consider income-generating activities to be sustainable. The following narratives refer to income-generation:

- Participant 16: *“Dit is die nuwe buzzword: self-sustainability – jy probeer produkte skep wat jy kan verkoop teen ‘n wins.”*
(This is the new buzzword: self-sustainability – you try to create products that you can sell at a profit.)
- Participant 9: *“We have a strategy for the next few years that our income-generating activities will actually take over as our main source of income such as products, coffee shop – not only relying on fundraising.”*

Participant 7: *"Kyk na ander maniere om geld te maak [innovering]."*
(Look for other ways to make money [innovation].)

Participant 14: *"Generating income is part of their core."*

The words 'making a profit' and 'income generation' are underlined in the narratives. According to the participants, organisations should find other innovative ways to generate an income to become self-sustainable. These views concur with the findings of Chauke (2013) that non-governmental organisations should consider becoming social enterprises to ensure their long-term sustainability. Social enterprises refer to any entrepreneurial actions by NPOs such as social innovations or for-profit ventures to cross-subsidise non-profit activities.

4.4.3.3 Sub-theme 3: Quality service

The participants mentioned that NPOs should render a quality service to be attractive for funders. The following narratives relate to quality service:

Participant 12: *"'n Baie goeie uitgewerkte operasionele plan ... om die diens te lewer."*
(A very well drafted operational plan ... to provide the service.)

Participant 16: *"En as jy 'n goeie diens lewer ... meer excellent te kan wees."*
(And if you provide a good service ... could be more excellent.)

Participant 14: *"They have quality services."*

The underlined words indicate that participants believed that organisations should render a quality service to ensure the support of donors or funders. Once again, the report of Gastrow (2013) coincide with the above narratives that organisations should also have functional programmes to attract the financial resources to ensure sustainability.

4.4.3.4 Sub-theme 4: Building relationships

Participants suggested that building quality relationships by means of networking and partnerships are factors that could contribute to sustainability. The following narratives relate to building relationships:

Participant 13: *"It is about relationships, that are well networked and that are willing to work together with other NPOS."*

- Participant 14: *“Organisations that attract money are organisations that understand it is about relationships, that are well networked and that are willing to work together with other NPOs.”*
- Participant 5: *“Jy moet verhoudinge bou ... kan nie net geld vra nie.”*
(You have to build relationships ... cannot just ask money.)
- Participant 3: *“Die basis van enige besigheid is verhoudings; goeie verhoudings, erkenning gee.”*
(The foundation of any business is relationships; sound relationships, acknowledgement.)
- Participant 2: *“Ongoing relationships [volgehoue verhoudings] ... laat dit baie meer persoonlik raak.”*
(Ongoing relationships ... it makes it much more personal.)

All the underlined words indicate the importance of building relationships to ensure the ongoing support from funders and partners in the NPO sector. The point is that organisational leadership has to build relationships to attract resources (Gastrow, 2013). It was also confirmed by Macedo and Pinho (2004:549) that NPOs are dependent on the resources from external providers and that they need to attract these resources.

4.4.3.5 Sub-theme 5: Marketing and communication

The majority of participants emphasised the importance of marketing and communication for NPOs to be sustainable:

- Participant 2: *“Jy moet sorg dat jou kommunikasie na buite baie duidelik is – dat mense weet waarvoor hulle geld gee, hoekom daar ‘n behoefte is.”*
(You must ensure that your communication to the outside is very clear – that people know what they give money for, why there is a need.)
- Participant 10: *“Terugvoer gee ... wat het met die geld gebeur.”*
(Give feedback ... what happened to the money.)
- Participant 15: *“Verslag doen aan hul donateurs.”*
(Report to their donors.)
- Participant 16: *“Baie gereelde terugvoer na mense wat jou ondersteun; statistiek; foto’s.”*
(Very regular feedback to people who support you; statistics; photos.)

Participant 12: “Die mense moet verstaan wat bemarking behels en wat kommunikasie behels – en hoe die twee met mekaar kommunikeer.”

(The people need to understand what marketing is and what communication involves – and how the two communicate with each other.)

Participant 8: “Communications – in many ways your communications is your marketing.”

Participant 14: “The need to have marketing teams.”

‘Feedback’, ‘communication’ and ‘marketing’ are the underlined words in these narratives. Potential donors and funders have to be informed about the needs in the community and how the organisation will address these needs. This can be achieved by using an integrated marketing and communication strategy. The participants also indicated that NPOs should give feedback to donors or funders on how their donation or money was spent, and what the impact was to reach the goals of the organisation.

A study conducted by Pope, Isley and Asamoah-Tutu (2009:184) revealed that NPOs should give priority to the importance of marketing but that NPOs did not understand the real functions of marketing and branding, and did not know how to reach their target markets. According to the findings of a study by Tabaku and Mersini (2014:66-83), NPOs should communicate their need for funding and once they received the funding, they should give feedback on how these funds were spent. This should be part of an integrated marketing and communication strategy and plan. The study also found that many NPOs did not understand the principles of marketing and that they have not nearly reached their full potential through marketing.

4.4.4 Theme 3: Reasons why marketing has become a necessity for NPOs

As was discussed in Chapter 2, marketing with the intent to raise funds, will contribute to the development of financial sustainability of NPOs. The participants were asked if they believed marketing was a necessity for NPOs. Their views will be presented next, along with a discussion and analysis of the relevant sub-themes, as listed in Table 4.2. These sub-themes also relate to the outcome of the previous theme that marketing and communication can ensure the sustainability of NPOs. The participants gave the following reasons why marketing has become necessary for NPOs:

Sub-theme 1: To raise funds

Sub-theme 2: To communicate effectively

Sub-theme 3: To build a brand

4.4.4.1 Sub-theme 1: To raise funds

The participants indicated that NPOs should market their product or services to donors or funders in order to raise funds. The following narratives relate to fundraising:

- Participant 16: *“Sodat mense kan weet en hulle fondse kan gee.”*
(So that people may know and give their funds.)
- Participant 18: *“Voor jy befondsing (fondswerwing) kan doen, moet jy eers jou plek bemark.”*
(Before you can do funding (fundraising), you first need to market your organisation.)
- Participant 13: *“Fundraising is selling; selling of a concept, if you do not know your product (concept), they will not give money.”*
- Participant 11: *“Bemarking is nodig ter wille van volhoubaarheid, met die oog op finansies/fondswerwing.”*
(Marketing is necessary for the sake of sustainability, aimed at finances/fundraising.)
- Participant 3: *“As jy nie bewus is van iets nie, kan jy nie bydra nie, jy moet die behoefte kommunikeer.”*
(If you are not aware of something, you cannot contribute, you have to communicate the need.)
- Participant 1: *“Baie mense wat dink fondswerwing is iets wat gebeur sonder bemarking ... en nou het ons gesien bemarking en fondswerwing loop hand aan hand.”*
(Many people who think that fundraising is something that happens without marketing ... and now we have seen marketing and fundraising go hand in hand.)

The underlined words in the above narratives refer to fundraising as a reason why marketing has become a necessity. The views of the participants indicated that fundraising could only happen if the organisation marketed themselves. People have to become aware of the need for support and organisations have to “sell” that need to

the donor market. This notion is in line with the findings of Sergeant (1999) that marketing in NPOs assist in the attraction of resources. Marketing tools and techniques can be used by fundraisers because many non-profit organisations need to raise funds to support their work.

4.4.4.2 Sub-theme 2: To communicate effectively

The majority of participants were of the opinion that communication was essential for NPOs to send specific messages to their target groups as part of an integrated marketing strategy. The following narratives refer to communication:

Participant 2: “Kommunikasie is deel van bemarking – dit help om daardie ‘brand awareness’ [handelsmerkbewustheid] te skep.”

(Communication is part of marketing – it helps to create that brand awareness.)

Participant 14: “Because the world is changing, I think marketing and communication is an essential part of an NPO.”

Participant 11: “Daar is baie mense wat nie weet wat ‘n NPO doen nie, so dit moet gekommunikeer word.”

(There are many people who do not know what an NPO does, so it must be communicated.)

Participant 4: “Hoe om ‘n goeie boodskap te kommunikeer – dit is alleen deur bemarking wat jy dit doen.”

(How to communicate a good message – it is only through marketing that you do it.)

Participant 1: “Voordele aan hulle kommunikeer en dit moet op die regte wyse gedoen word om die mense te bereik waar hulle is.”

(Communicate advantages to them and it must be done in the correct manner to reach the people where they are.)

‘Communication’ is the key word in these narratives. The participants mainly agreed that communication was part of marketing to send the right message to their target markets. These views are consistent with the findings of Blery *et al.* (2010:57-68) that the development of communication messages that are most attractive to the people who support the organisation’s mission (advertising), is an important marketing

strategy. Furthermore, to communicate with these people through channels which they regularly use (place) is another marketing strategy that is particularly useful to NPOs.

4.4.4.3 Sub-theme 3: To build a brand

The majority of participants indicated that marketing was essential for NPOs to build the brand of the organisation. The following narratives relate to branding:

Participant 2: *“Kommunikasie is deel van bemarking – dit help om daardie ‘brand awareness’ [handelsmerkbewustheid] te skep.”*

(Communication is part of marketing – it helps to create that brand awareness.)

Participant 17: *“Jy moet sigbaar wees – so ‘branding’ [handelsmerkimplementering] is vir my absoluut essensieel.”*

(You should be visible – so branding is absolutely essential for me.)

Participant 7: *“[‘n] NPO is eintlik ‘n besigheid en ‘n besigheid moet ‘n goeie profiel skep, ‘n goeie prentjie kan teken van homself, wie hy is, daardie persoonlikheid wat hy het, dit is wat bemarking doen.”*

([An] NPO is actually a business and a business must create a good profile, draw a good picture of himself, who he is, that personality he has, that's what marketing does.)

The words ‘image’ and ‘brand’ are the key words in these narratives, and relate to the necessity of marketing. NPOs have to build a brand to be visible, to create awareness and to communicate their own unique personality to the market to differentiate them from other organisations. Blery *et al.* (2010:57-68) also note that part of a marketing strategy is to ensure that an image is developed that is attractive to those people (product positioning) who are most interested in supporting the mission of the organisation.

4.4.5 Theme 4: Essential marketing principles for NPOs

As discussed in the previous chapters, the funding challenges of and the increased levels of competition for funding among NPOs have led to the necessity for marketing in this sector. According to Weideman (2012:19; 79), organisations should harness the knowledge available in the marketing field to meet the demands in this competitive environment, but organisations still lack the understanding and expertise that would

enable them to implement these marketing strategies. Charities have only recently started to embrace marketing concepts such as marketing orientation, segmentation, customer relationship marketing and branding (Hassay & Peloza, 2009:25).

The participants were asked which of the marketing principles, as stipulated in the interview schedule, they deemed essential for NPOs, why it was essential and how it could be accomplished. These principles will be presented next, along with a discussion and analysis of the relevant sub-themes, as displayed in Table 4.2.

Sub-theme 1:	Relationship marketing
Sub-theme 2:	Marketing orientation
Sub-theme 3:	Understanding the marketplace
Sub-theme 4:	Understanding the concept of consumer
Sub-theme 5:	Market segmentation
Sub-theme 6:	Differentiation and positioning
Sub-theme 7:	Price
Sub-theme 8:	Branding
Sub-theme 9:	Communication strategy
Sub-theme 10:	Communication channels
Sub-theme 11:	Customer and partner relationships
Sub-theme 12:	Ethical marketing
Sub-theme 13:	Other marketing principles

4.4.5.1 Sub-theme 1: Relationship marketing

All the participants agreed that relationship marketing is the most essential marketing principle for NPOs. The following underlined words in the narratives are examples of relationship marketing:

- Participant 11: *“Verhoudingsbemarking is die belangrikste manier van bemarking, dit gaan veral in ‘n NPO oor verhoudings met jou donateurs.”*
 (Relationship marketing is the most important way of marketing, in an NPO it is mostly about relationships with your donors.)
- Participant 1: *“Alle bemarking deesdae is geneig om ‘n sterk verhoudingskomponent te hê.”*
 (All marketing nowadays tend to have a strong relationship component.)

Participant 14: *“Marketing in business is changing in general – in NPOs people have always given because of relationships – connect on emotional level, you have higher chances of having your proposal approved if you have a personal relationship with the person going to make the decision. Fundraising is relationship-based, as well as marketing.”*

Participant 13: *“Donors tend to fund leaders – that is all about relationships – building relationships; building the trust – they trust the person that will make it happen.”*

Participant 2: *“[‘n] Mens moet verhoudinge begin bou en dit baie ‘personalised’ [persoonlik] maak.”*
(One must start to build relationships and make it very personalised.)

Relationship marketing relates to the underlying principle of fundraising which is the reason why certain NPOs invest in marketing. NPOs have to establish an emotional connection with the ‘customer’ (donor) to build trust and integrity, before the donor will make a donation. Relationship marketing makes the relationship with the customer personal and “people give to people”, not to an organisation.

The views given by the participants concur with the findings of Brennan and Brady (1999:333) that the services in the context of NPOs are based on personal contact with customers, and that NPOs mostly rely on personal contact with volunteers and donors in order to raise funds. The high degree of human interactivity in NPOs thus makes it an ideal domain for interactive or relationship marketing.

4.4.5.2 Sub-theme 2: Marketing orientation

All the participants agreed that NPOs should be marketing-orientated to be successful in their marketing endeavours as stipulated in the following narratives:

Participant 6: *“Your business plan and your strategy is very much part of being marketing-orientated.”*

Participant 15: *“[Die] sukses van enige NPO of besigheid begin by die bestuur – as die bestuur weet wat in die bemarkingstrategie aangaan, dan sal hulle weet hoe hulle [dit moet] implementeer.”*

([The] success of any NPO or business starts with the management – if management has knowledge of the marketing strategy, they will know how they should implement [it].)

- Participant 2:* “Definitief, ‘n NPO moet bemarkingsgeoriënteerd wees.”
(Definitely, an NPO must be marketing-oriented.)
- Participant 7:* “[Dit is] essensieel vir ‘n organisasie om bemarkingsgeoriënteerd te wees vir volhoubaarheid.”
([It is] essential for an organisation to be marketing-oriented for sustainability.)
- Participant 11:* “Dan kom jy weer by leierskap uit – dat dit afwentel – strategieë.”
(Then you come back to leadership – that it devolves – strategies.)
- Participant 14:* “Every single person in your organisation is an ambassador – the staff is a marketing tool, have to be passionate about your brand – everyone in the NPO – marketing-orientated.”
- Participant 1:* “Dit is belangrik dat bemarkingspersoneel [‘n] passie moet hê vir die werk, kundig moet wees, professioneel.”
(It is important that marketing staff should have passion for the work, must be knowledgeable, professional.)

According to the participants, a marketing-orientation means that top management should be involved in the development of a marketing strategy as part of the overall business strategy of the organisation to ensure that the organisation’s vision and goals are realised. Organisations that are marketing-oriented have a better chance to be sustainable. The participants also indicated that a marketing-oriented organisation would ensure that all staff members and partners share in the marketing strategy by aligning their activities with the marketing activities. All staff members and partners should also recognise their role as ambassadors of the organisation. For non-profit organisations to be marketing-oriented, they should thus have experts in the marketing field who are both passionate and professional.

According to Sargeant (1999:4-7), marketing is a systematic approach in researching needs, formulating objectives and planning to meet those objectives and the activities to ensure the relevant outcomes for a cost-effective service. Marketing thus provides an organisational framework from which NPOs can work.

4.4.5.3 Sub-theme 3 – Understanding the marketplace

All the participants agreed that it was essential for NPOs to understand the marketplace by doing market research. The following narratives relate to understanding the marketplace:

Participant 4: *“Jy moet jou mark ken – jy [moet] ‘n produk gee wat hulle regtig geniet – weet watter mense jy bereik in jou gemeenskap, watter besighede het ‘n konneksie en watter manier jou mark daarvan hou om dankie gesê te word.”*

(You should get to know your market – you [have to] give a product which they really enjoy – know the people you [want to] reach in your community, what businesses have a connection and how your market prefers to be thanked.)

Participant 7: *“Dit is hoekom ons maatskappy huidiglik market research [marknavorsing] doen – jy moet weet dat die markte/omgewing waarbinne jy werk het ‘n sekere need [behoefte] – dit gaan die manier bepaal waarop jy hulle benader.”*

(That is why our company is currently doing market research – you should know that the market/environment in which you work has a certain need – it will determine the way you approach them.)

Participant 13: *“Who is your market – who is attracted to what you are doing.”*

Participant 14: *“Too many marketplaces in one: What is our market? There needs to be more reflection and discussion on who [are] our markets – different strategies for different markets.”*

Participant 11: *“Marknavorsing – om die mark reg te lees, bemarkingstrategie aan te pas.”*

(Market research – to read the market correctly, to adapt marketing strategy.)

Participant 15: *“Om die balans te handhaaf is dit nodig om jou mark te ken.”*

(To maintain the balance you need to know your market.)

Participant 18: *“Ander markte moet jy navors.”*

(You need to research other markets.)

The underlined words all refer to understanding the marketplace that will enable the NPOs to develop a strategy for each target market according to the needs of each

target market. NPOs need to know the current trends to pursue opportunities and adapt to changing environments. For instance, the external environment includes economical, political, social, technological, legal and environmental factors that can influence an organisation. An organisation thus has to understand itself and the environment in which it operates to ensure continuous success. This notion is in line with the findings of Kotler and Armstrong (2010:80-100) that information and subsequent knowledge is the key to develop a marketing strategy and plan. For this purpose, research about and an analysis of the internal and the external environment is important.

4.4.5.4 Sub-theme 4 – Understanding the concept of consumer

All the participants reported that NPOs have to understand the different consumermarkets of an NPO. The following narratives are examples of how participants understood the consumer concept:

- Participant 1: *“Die eerste kliënt is uiteraard die kliënt wat die dienste ontvang.”*
(The first client is naturally the client who receives the services.)
- Participant 1: *“Elke NPO is uniek ... beheerrade ... donateurs ... [die] breë gemeenskap, ander instansies (vennote), die kerk, skole ... regering.”*
(Every NPO is unique ... governing bodies ... donors, [the] broader community, other organisations (partners), the church, schools ... government.)
- Participant 3: *“Donateurs, kliënte, skole, individue of gemeenskappe in geheel.”*
(Donors, clients, schools, individuals or communities as a whole.)
- Participant 4: *“Daar is vier kliënte van ‘n NPO – die persoon het een of ander konneksie met die NPO (familie), hy kan nie uitstaan om te sien dat kinders swaarkry nie, mense wat voel hulle moet dit doen, jy moet bydra tot jou gemeenskap, essensieel tot jou menswees, die feit dat jy ‘n verskil in persone se lewens maak.”*
(There are four clients of an NPO – the person has some connection with the NPO (family), he can not stand to see children suffering, people who feel they have to do it, you have to contribute to your community, essential to one’s humanity, the fact that you make a difference in people’s lives.)
- Participant 6: *“Offering a service, or a partnership, beneficiaries – understanding it is very critical.”*

Participant 7: *“Dit is belangrik om die consumer [verbruiker] wat die diens gebruik te verstaan – sodat jy vir die donateur (‘n ander consumer [verbruiker]) kan verduidelik wie is die verbruiker.”*

(It is important to understand the consumer using the service – so that you can explain to the donor (another consumer) who the consumer is.)

Participant 8: *“Your partners such as government.”*

Participant 9: *“Customers are broad – it is our beneficiaries, the society.”*

Participant 13: *“Your donor can be your consumer, and your beneficiaries are your consumer, we have direct and indirect consumers.”*

The participants mainly identified the beneficiary as the direct consumer and the donor as the indirect consumer. The donor market can also be divided into sub-categories. The participants also identified other consumer markets such as the staff, boards, other organisations, churches, schools, government, partners and the community. The fact that an NPO has many constituencies, reconceptualise the concept of consumer. This observation correlates with the findings of Brennan and Brady (1999:327) that the non-profit sector has different types of consumers (target markets) such as beneficiaries, donors, volunteers and the staff. Their six-market model can be used to reconceptualise the concept of consumers for NPOs. The model identifies the priority groups as customer markets, referral markets, influence markets, supplier markets, internal markets, and employee markets. These markets will assist in developing specific marketing plans for any or all of these groups.

4.4.5.5 Sub-theme 5: Market segmentation

The participants all agreed that market segmentation were are essential for NPOs to identify their target markets. The following narratives refer to market segmentation:

Participant 1: *“[Dit is] ontsettend belangrik dat die NPO sy mark segmenteer en die tipe boodskappe wat hy vir daardie segmente gee baie goed navors, hulle moet markte segmenteer volgens die behoeftes van die mark en hoe hulle daardie behoeftes gaan voorsien.”*

([It is] extremely important that the NPO segment its market and research the type of messages it gives those segments very well, they must segment markets according to the needs of the market and how they will meet those needs.)

- Participant 8: *"You need to segment your market – they are attracted and sustain something they can relate to – depends on the focus of your organisation."*
- Participant 7: *"Marksegmentasie om verskillende produkte vir verskillende marksegmente te ontwikkel."*
(Market segmentation to develop different products for different market segments.)
- Participant 6: *"Our target markets are different, our stakeholders are different, the age groups are different, the causes are different."*
- Participant 11: *"Elke segment in die donateursmark verg 'n ander aanslag – 'n strategie wat by elkeen aanpas."*
(Each segment of the donor market requires a different approach – a strategy that adapts to everyone.)
- Participant 7: *"Marksegmentasie om verskillende produkte vir verskillende marksegmente te ontwikkel, vir verskillende boodskappe vir die verskillende segmente."*
(Market segmentation to develop different products for different market segments, for different messages for different segments.)

The underlined words all refer to market segmentation and different target markets. The participants indicated that NPOs should identify their different target markets by means of market segmentation and to develop different marketing strategies according to the specific needs of each target market. NPOs have beneficiaries and donor markets and the donor markets should be further segmented in terms of demographic, behavioral and other criteria. The participants also indicated that market segmentation was essential to align the organisation's communication messages and channels with the characteristics of each segment.

Helmig, Jegers and Lapsey (2004:1) are of the opinion that the main difference between marketing in non-profit organisations and marketing in for-profit organisations is that non-profit organisations have to market their services or products to a variety of target groups. According to Garber *et al.* (2000:55-86), target segmentation is the process of identifying particular sub-categories of consumers who will support the mission of the organisation. In order to raise funds, the NPOs should target both the donors and volunteers, because the customer/beneficiary markets that are the users

of the product or service do not normally pay for the service to be able to use it. However, little attention has been given to the segmentation of the donor categories. The prevailing practice is to solicit donations from individuals, institutions, and corporations into one category. Differently motivated donors are using different criteria in their donation decisions, leading to the donors' different choices of recipients (Ashley & Faulk, 2010:43-57).

In the process of segmentation, stakeholder groups can be divided into sub-groups, according to specific segmentation criteria (Lovelock & Weinberg, 1984:111). Kotler and Armstrong (2012) propose four broad categories of customer segmentation, namely geographic, demographic, psychographic and behavioural criteria that will provide more specific information about the different target groups.

4.4.5.6 Sub-theme 6: Differentiation and positioning

The response of all the participants was that NPOs had to differentiate themselves from other organisations in the sector, and that they should choose a unique value proposition to be able to compete with other NPOs for funding. The following underlined words in the narratives relate to differentiation and positioning:

Participant 1: *"Dit is 'n baie moeilike ding vir 'n NPO, want almal word onder dieselfde kam geskeer, hoe 'n NPO hulle wel kan posisioneer is om te gaan kyk na wie is hul marksegmente, wat is daardie segmente se behoeftes (maatskappye, trusts)."*

(This is something that is very difficult for an NPO, they are all alike, how an NPO could position themselves is to look at who their market segments are, what are the needs of those segments [companies, trusts.])

Participant 2: *"Critical [Krities] – as jou produk net so goed is soos die ander een, en jou prys is net so billik – hoe gaan jy jouself differensieer? Die mense wat daar werk gaan dit differentiate [differensieer] – die mense wat die diens lewer."*

(Critical – if your product is just as good as the other one, and your price is just as fair – how will you differentiate yourself? The people who work there are going to differentiate – the people who deliver the service.)

Participant 6: *"Differentiation is very critical – to speak to a particular audience in a particular way."*

- Participant 9: *"It is tricky – we have many organisations in the Western Cape that do similar work, we are different from others, but we also do not want to break the bond of affiliation (with others)."*
- Participant 7: *"Jy kan jousef definitief differensieer op grond van jou handelsmerk, maar dit is iets wat baie lank vat."*
(You can differentiate yourself with your brand, but it is something that takes a long time.)
- Participant 8: *"It will help them to change their mindset – its about collaboration and where they position themselves in the NGO sector."*
- Participant 11: *"Jou missie en visie spel duidelik uit wat is die nis waar jy werk – dit differensieer; [dit] onderskei jou van jou kompetisie."*
(Your mission and vision clearly spells out what the niche is where you work – it differentiates; [it] distinguishes you from your competition.)
- Participant 7: *"Ek dink waardes is nogal vir my 'n onderskeidende posisionering, maar dit beteken ook dat dit regdeur die organisasie gebruik word."*
(I think values to me is quite a distinctive positioning, but it also means that it is used throughout the organisation.)
- Participant 16: *"Kreatief – dit is soos baanbrekerswerk – dit gee vir jou goeie posisionering."*
(Creative – it's like pioneering – it gives you good positioning.)
- Participant 7: *"Differensiasie is moeilik, wat uniek is, kwaliteit: good governance [goeie bestuur] kan differentiators [differensieerders] wees."*
(Differentiation is difficult, what is unique, quality: good governance can be differentiators.)
- Participant 2: *"NPOs kan hulself differensieer met personalised communication [persoonlike kommunikasie] en personalised service [persoonlike diens] – dit is die enigste manier."*
(NPOs can differentiate themselves with personalised communication and personalised service – it is the only way.)

The participants all agreed that differentiation and positioning is an essential marketing principle for NPOs, but many of them also said that it remained a huge challenge because so many NPOs delivered the same services. According to the participants, NPOs worked together in communities or in certain focus areas, were affiliated or were partners in the sector. The participants' experience was that differentiation was

complex and that the competition was counteracting good working relationships. The ability of NPOs to develop strategies that differentiate them amongst the different types of funders are limited (Ashley & Faulk, 2010:43-57). NPOs are still facing increased pressure and competition in the new funding landscape following the global economic crisis. With the shrinking corporate social investment (CSI) budgets from companies, NPOs should make sure that their organisations' mission and objectives meet the funders' needs.

The participants indicated that the vision, mission and values of an NPO could differentiate itself from other NPOs. Sound governance, quality service, market segmentation, branding and innovation could also be differentiators. The NPO could serve their customers best by choosing their value proposition. A value proposition refers to the set of benefits or the value that an organisation promises to the customer when selling the product or service. It positions the product in the market and differentiates one brand from another (Kotler & Armstrong, 2010).

4.4.5.7 Sub-theme 7: Price

The majority of the participants were not sure if they considered price as an essential marketing principle in the NPO sector, but their responses subsequently indicated that certain aspects of pricing were indeed important. The following narratives relate to pricing:

- Participant 1: *"Ek dink nie mense verstaan noodwendig wat dit kos om 'n diens te lewer nie."*
(I do not think people necessarily understand what it costs to provide a service.)
- Participant 6: *"Who is your target market you offer to sell – you can have different levels of pricing – everybody has the right to the same kind of service."*
- Participant 8: *"Our pricing structure is something we have to work on, once we put marketing in a proper practice, they will understand the quality assurance; they will understand the sustainability of the service."*
- Participant 9: *"We got to start asserting ourselves as business – we under-charge."*

- Participant 13: *“Cheaper does not mean better in this sector (lost out on contracts, other was cheaper) – cheaper means unqualified staff, inexperienced staff, feeling overworked; burnt out.”*
- Participant 17: *“Ons het ‘n formule wat ons elke jaar uitwerk met die wisselkoers, kostes ens. – wat dit kos om een Bybel op die mark te plaas.”*
(We have a formula that we calculate each year according to the exchange rate, costs etc. – what it costs to put one Bible on the market.)
- Participant 15: *“... dat ons nie ons[self] uit die mark uit prys nie, die kompetisie dophou.”*
(... that we do not price ourselves out of the market, to watch the competition.)
- Participant 11: *“Koste per eenheid (projek, kind, diens ens.) – [sodat die] donateur kan sien hoeveel hy moet gee.”*
(Unit costs (project, child, service, etc.) – [so that the] donor can see how much he should be giving.)
- Participant 1: *“Ek dink definitief as die donateur dit kan aftrek (belasting-aftrekbare voordeel), sal dit ‘n rol speel. Dit hang af van wie die kliënte is – ander mense gee; dit is deel van hulle self-aktualisering.”*
(I think definitely if the donor can deduct it (tax-deductible benefit), it will play a role. It depends on who the clients are – other people just give; it is part of their self-actualisation.)
- Participant 10: *“Die bietjie wat jy gee kan ‘n verskil aan baie mense maak.”*
(The little you give can make a difference to many people.)
- Participant 11: *“Prys is ter sprake in die sin dat die donateur moet weet die geld wat hy gee word doeltreffend aangewend.”*
(Price is applicable in the sense that the donor must know the money he gives is effectively applied.)
- Participant 14: *“It comes with positioning; how you position yourself – we offer quality service, so we are costly – and how you are communicating.”*

In these narratives the words ‘cost’, ‘pricing’, ‘cheap’, ‘tax’, ‘difference’ all refer to the pricing concept. The concept of pricing is perhaps not general terminology for the NPO sector. However, a number of participants thought that in terms of the competition, pricing would become essential, while several participants referred to the cost of the product or the unit cost as the “price”. They were of the opinion that NPOs typically under-budgeted their total costs, because they were used to work with shortages.

Other participants suggested that the price for the donor/or funder could be found in the impact that the donation would have and not the actual cost itself. The donor also would like to have options in terms of the amount of the donation and what difference it would make. The minority of participants referred to the benefits of tax reduction as part of the “price” for the donor.

These views are in line with the findings of Brennan *et al.* (1999:327-337) that in relationship marketing, customers are less sensitive to price. The price is less important because other elements of the ‘product’ have priority. Donors that donate to NPOs do not ‘shop around’ for the best “price”; they donate their money to a specific cause to which they can relate personally. However, donors cannot all be grouped into one category. Donations from larger companies and foundations must be separated from individual donations, as they have different responses to price. Individual donors are less likely to examine financial statements to guide their giving or donating decisions compared to larger foundations and companies (Ashley & Faulk, 2010:43-57).

4.4.5.8 Sub-theme 8: Branding

All the participants agreed that building a strong brand would enhance the success of the organisation and was an essential marketing principle. The following narratives relate to branding:

Participant 1: *“Die vestiging van ‘n handelsmerk vir ‘n NPO is ontsettend belangrik – [dit] moet intern begin; die personeel is brand ambassadors [handelsmerkambassadeurs].”*

(The establishment of a trademark for an NPO is extremely important – [it] should begin internally; the staff are brand ambassadors.)

Participant 4: *“Wanneer daar mense is wat besluite neem (befonders), moet jou brand [handelsmerk] daar feature [op die voorgrond tree].”*

(When there are people who make decisions (funders), your brand should feature there.)

Participant 1: *“Die waardes van die handelsmerk en die persoonlikheid van die handelsmerk is die dinge waarop jy moet fokus in alles wat jy doen.”*

(The values of the brand and the personality of the brand are the things that you need to focus on in everything that you do.)

- Participant 8: *"Building a brand was very important – people want to belong to something that has a positive feel about it."*
- Participant 13: *"The brand is well-developed – people trust you, the brand say what you do."*
- Participant 17: *"Dat dit meer is as visuele elemente, dat waardes inkom by die brand."*
(It is more than visual elements, that values are part of the brand.)
- Participant 8: *"When you identify your brand and build your brand, make sure the message goes with your brand."*
- Participant 1: *"Die handelsmerk sê na buite wie die organisasie is en wat die organisasie doen – korporatiewe identiteit."*
(The brand tells to the outside world who the organisation is and what the organisation does – corporate identity.)
- Participant 5: *"Dit (die brand)[handelswerk] moet consistent [konsekwent] gebruik word met alles wat jy doen – jy moet dieselfde brand values [handelsmerkwaardes] lewer – almal in die organisasie moet dit reg gebruik."*
(It (the brand) must be used consistently with everything you do – you must provide the same brand values – everyone in the organisation should use this correctly.)
- Participant 1: *"NPOs is baie blootgestel aan kritiek vanweë die kompleksiteit waarmee hulle werk; om 'n handelsmerk te bou in 'n NPO is baie moeilik."*
(NPOs are very much exposed to criticism due to the complexity of their work; to build a brand in a NPO is extremely difficult.)
- Participant 9: *"Some organisations really take time on their branding and it makes a huge difference to their image."*

Branding is a marketing strategy that an NPO can use to differentiate themselves from others, and to enhance the organisation's visibility to the donors. A strong image is the key to community awareness; thus to develop and maintain a strong image through branding will increase local support for the organisation (Blery *et al.*, 2010:57-68).

The participants indicated that the brand comprises more than the visual component: it is the brand personality that communicates the organisation's message and values that matters. Recent academic research in the field of charity image building has concentrated on the relationship between charity image and charity reputation, and

how the reputation of a charity is formed. 'Reputation' is a concept related to, but different from, image and is a value judgement about an organisation's qualities

built up over a period and focusing on what it does and how it behaves. It has a historical dimension as it comprises on an organisation's trustworthiness and reliability that are based on past performance. Charities need a salient image and a sound reputation. A sound reputation can withstand the occasional adverse publicity, stimulates trust, encourages donor loyalty, and enhances the organisation's competitive (fundraising) position.

Bennett *et al.* (2005:797-805)

The participants were also of the opinion that branding could only be successful if it was used consistently. However, according to Keller *et al.* (2010:105), evidence of inconsistencies in terms of strong brand management in organisations have been reported. These inconsistencies can be seen in the variation of brand visuals, missions and taglines that are indicative of an inefficient structure, policy and guidelines in brand management.

According to the responses of the participants, the NPOs lacked the expertise and capacity to effectively build the brand of their organisations. The participants noted that NPOs, however, often had to deal with complex situations that can make branding even more difficult, such as removing children from their families in cases of child abuse.

4.4.5.9 Sub-theme 9: Communication strategy

The participants all agreed that a communication strategy was an essential marketing principle and part of the integrated marketing strategy of an organisation. The following narratives relate to communication:

Participant 11: *"Bemarking behoort nie losgemaak te word van kommunikasie nie; [dit] moet geïntegreer wees."*

(Marketing should not be separated from communication; [it] must be integrated.)

Participant 5: *"Ons het 'n kommunikasieskedisule – [dit] word vooruit beplan."*

(We have a communication schedule – planned in advance.)

- Participant 12: *“Mense moet weet wie watter kommunikasie mag doen.”*
(People should know who should communicate what.)
- Participant 13: *“It is essential. A lot of NPOs do waste a lot of time and money on communication strategies and then do nothing with them.”*
- Participant 11: *“Goeie beginsels van bemarking sluit tog in... wat is jou kernboodskappe, gerig op jou teikenmarkte.”*
(Sound principles of marketing include nonetheless ... what your key messages are, aimed at your target markets.)
- Participant 12: *“In ’n organisasie speel persepsie ’n baie belangrike rol – as daar negatiewe persepsies deur personeel gekommunikeer word, is dit problematies.”*
(In an organisation perception plays a very important role – if negative perceptions are communicated by staff, it is problematic.)
- Participant 6: *“Without a communication strategy, how would the (donor) know where (to get involved?)”*
- Participant 7: *“Kommunikasie intern en ekstern is baie belangrik – intern om almal aan boord te kry, om die kultuur te vestig.”*
(Communication internally and externally is very important – internally to get everyone on board, to establish the culture.)
- Participant 14: *“Do a communication strategy that is realistic – resources and capability.”*
- Participant 8: *“It is not easy, we don’t have the resources.”*

The participants all believed that a communication strategy was a strategic document that provided the framework for the communication goals and action plans of an organisation. A communication strategy determined the key messages of the organisation, as well as the communication channels that should be used to effectively reach the target markets of the organisation. The internal markets of an organisation (board members, staff, volunteers, and beneficiaries) were also deemed as an important target market, and a communication strategy would get everyone on board to establish the culture of the organisation.

According to (Wiggill, 2011:227) integrated marketing communication is about developing consistent messages to target markets by promoting the activities of an organisation. The communication technology has developed rapidly, and consumers

have instant access to information through platforms such as the Internet and social media. This is one of the reasons why integrated marketing communication has become so pertinent. Marketers should collect and organise available information to compile a consistent and relevant brand message.

The participants' experience was that many NPOs did not have a communication strategy or could not execute their strategy due to a lack of capacity, knowledge or funds. Several NPOs used consultants to help develop their strategy, but they were still not capable to execute the strategy. It is important to note that although the Steyn and Puth-model was specifically developed for strategic communication management in NPOs in South Africa, many NPOs could not apply the model - the reason being that it was practically not feasible, as NPOs experienced unique constraints. Communicating strategically is, however, particularly important in the case of donors, for NPOs to make sure that donors repeat and/or increase their donations. NPOs are not in a financial position to appoint or contract staff members who are qualified in the field of communications, but existing staff members can be trained in the principles of strategic communication, as they are already in a sense practising it (Wiggill, 2011:227).

4.4.5.10 Sub-theme 10: Communication channels

The participants agreed that NPOs should communicate via the channels that the target markets of the organisation would most probably use and that they considered it as an essential marketing principle. The following narratives relate to communication channels:

Participant 11: *“Jy moet belê daarin om met die regte media jou boodskap tuis te bring.”*
(You have to invest in using the right media to convey your message clearly.)

Participant 12: *“Dit is ontsettend belangrik dat die NPO sy mark segmenteer en die tipe boodskappe ... baie goed navors, of die mediums gebruik wat daardie donateurs gaan bereik.”*
(It is extremely important that the NPO segment its market and do thorough research on the type of messages ... or use the mediums that will reach those donors.)

- Participant 1: *“As jy nie korrekte kanale gebruik nie, gaan jy nie jou mark bereik nie, en jy gaan nie die nodige terugvoer kry nie.”*
(If you do not use the proper channels, you will not reach your market, and you will not receive the necessary feedback.)
- Participant 11: *“[Dit] sluit weer aan by die verskillende teikengroepe – elke teikengroep het sy eie kommunikasiewyse.”*
([It] comes back to the different target groups – each target group has its own method of communication.)
- Participant 14: *“Choose which market you will be using, choose a channel you can manage properly.”*
- Participant 17: *“Jy moet die kanale verstaan, wie bedien hulle en wie is my teikenmark en wat gaan werk.”*
(You must understand the channels, who they serve, and who is your target market and what will work.)
- Participant 2: *“Online[Aanlyn] is definitief goedkoper as jou tradisionele communication channels [kommunikasiekanale].”*
(Online is definitely cheaper than your traditional communication channels.)
- Participant 1: *“Die enigste probleem is natuurlik, weer eens, die koste – NPOs kan nie noodwendig bekostig om die regte kommunikasiekanale te gebruik nie, bv. televisie.”*
(The only problem, of course, once again is the cost – NPOs cannot necessarily afford to use the right communication channels, eg television.)

According to the participants, NPOs should use the communication channel that would reach their specific target markets and therefore NPOs should understand the characteristics of the different channels. They should also choose the communication channels that they could manage properly. The participants reported that NPOs did not have a wide choice of channels, because they generally used what was available and affordable. The NPOs use mainly digital media, but other channels such as radio, the print media, events, personal contact and volunteers are also used to communicate to their target markets. According to Blery *et al.* (2010:57-68), non-profit organisations should employ multiple means for their promotions, such as direct mail, newsletters, magazines, newspapers, and the Internet. Other types of promotion used by non-profit

organisations are phone calls, letters, e-mail, reports, signs, press releases and brochures. Furthermore, they have instant access to other communication channels such as the Internet and social media.

4.4.5.11 Sub-theme 11: Customer and partner relationships

This concept relates to relationship marketing (see Sub-theme 1) where the importance of relationships in marketing was discussed. All the participants once again agreed that this was an essential marketing principle. Adding to relationship marketing, is the importance of partnerships, as reported in the following narratives:

- Participant 1: *“Met verhoudinge kan jy baie meer doen as wat jy op jou eie doen.”*
(With relationships you can do much more than you do on your own.)
- Participant 4: *“Dit is ook vennote; om mekaar se platforms te gebruik.”*
(It is also partners; to use each other's platforms.)
- Participant 8: *“The most important relationship is inside first.”*
- Participant 9: *“You must have value-based relationships.”*
- Participant 7: *“Jy moet besigheid doen met mense [van wie] jy hou.”*
(You have to do business with people you like.)
- Participant 14: *“Customers are not happy because you can't deliver the service they want – [it would be] negative for the relationship.”*
- Participant 15: *“Dit is belangrik dat vennote versigtig gekies word – MOU is belangrik.”*
(It is important that partners are carefully chosen – MOU is important.)

The participants were of the opinion that partners should be chosen carefully and that it should be confirmed with a Memorandum of Understanding (MOU). Organisations can deliver so much more in partnership and they can use each other's platforms. According to *GreaterGood South Africa* (2014), collaboration and the building of networks and partnerships are becoming important strategies for non-profit organisations to survive in the current environment of the NPO sector. Non-profit organizations should search for alliances with other organisations, commerce, government, advertising media, and the business sector because such alliances would yield the best benefits to them.

4.4.5.12 Sub-theme 12: Ethical marketing

The majority of participants agreed that ethical marketing was non-negotiable for NPOs in particular. One participant was unsure what was meant by ethical marketing, and commented that NPOs were not different from the business sector, and that they should be free to market their organisations in the most effective manner. The following narratives relate to ethical marketing:

- Participant 4: *“Jy moet definitief eties wees in jou bemarking, in ‘n NPO werk jy met ander se geld.”*
(You definitely need to be ethical in your marketing, in an NPO you work with others' money.)
- Participant 4: *“Met aanstellings moet jy ook kyk dat jy etiese persone aanstel.”*
(When appointing people, you have to make sure that you appoint ethical people.)
- Participant 5: *“As jy iets vra wat jy nie nodig het nie: dit is oneties.”*
(If you ask anything you do not need: that is unethical.)
- Participant 7: *“As mense weet jy is eties, is daar meer vertroue in die brand [handelsmerk] en in die NPO self.”*
(If people know you are ethical, there is more confidence in the brand and in the NPO itself.)
- Participant 7: *“Die bestuur kan eties wees, maar dit moet deurvloei [na die res van die organisasie]”*
(Management may be ethical, but it must flow through [to the rest of the organisation.]
- Participant 9: *“You’ve got to be careful – exploiting your people, vulnerable minority groups has the potential to be unethical.”*
- Participant 1: *“Dit gaan oor die geloofwaardigheid – die hele wêreld – daar moet eties opgetree word.”* (It's about the credibility – the whole world – should act ethically.)
- Participant 14: *“What is ethical marketing? The rules must be the same for businesses – marketing is to create attention, manipulation of people – everyone should be doing ethical things, not just marketing.”*

Participant 15: *“Eties[e] [gedrag] kan wyer gaan as oor verskillende godsdienste heen – dit is eintlik ‘n spirituele ding – spiritualiteit bepaal wat jou normatiewe optrede is; wat is reg en wat is verkeerd.”*

(Ethical behaviour can go further than across different religions – it actually is a spiritual phenomenon – spirituality influences one’s normative behaviour; what is right and what is wrong.)

Participant 15: *“Die etiek van elke transaksie moet van so ‘n aard wees dat niemand jou integriteit in twyfel trek nie.”*

(The ethics of each transaction must be of such a nature that nobody can question your integrity.)

Participant 16: *“Statistiek word so gestel dat dit eintlik dubbelsinnig gestel is as jy nie die bedryf verstaan nie (verdraaiing van statistiek) – [dit is] nie eties nie.”*

(Statistics are presented in such a way that it actually can be constructed as ambiguous if you do not understand the industry (distortion of statistics) – [it is] not ethical.)

Participant 18: *“Etiese kode, code of conduct [gedragskode] – deel van governance [bestuur].”*

(Code of ethics, code of conduct – part of governance.)

The general response was that organisations worked with trust money and therefore they should be transparent and reliable. NPOs should be ethical in all their functions, not only in marketing. NPOs can ensure the public of their ethical practices by regular external auditing, monitoring and evaluation, and due diligence investigations.

The participants commented on the lack of ethical leadership in South Africa and that people are in general skeptical towards public entities. They recommended that non-profit organisations should have ethical codes that are implemented throughout and at all levels of the organisation.

The participants indicated that, in most cases, NPOs worked with vulnerable minority groups such as children in need and persons with disability. NPOs should be aware of the exploitation of these people, especially in marketing activities. NPOs should also be honest in rendering their services and in providing reliable and accurate statistics about the services rendered. They should be careful to over-promise and under-deliver. Consumers should be treated fairly according to the Consumers Protection Act Nr. 68 of 2008 (Acts Online, 2008). This Act was established to

promote a fair, accessible and sustainable marketplace for consumer products and services and for that purpose to establish national norms and standards relating to consumer protection, to provide for improved standards of consumer information, to prohibit certain unfair marketing and business practices, to promote responsible consumer behaviour, to promote a consistent legislative and enforcement framework relating to consumer transactions and agreements.

Acts Online (2008)

According to Brown (2011), non-profit organisations should work towards producing their own ethical fundraising policy. Donors are increasingly becoming skeptical of non-profit organisations and want to know how these organisations raise funds, and how their investments are managed.

4.4.5.13 Other marketing principles

The participants did not identified additional principles, but the lack of resources and expertise for marketing, communication and fundraising in NPOs were again emphasised.

4.5 SUMMARY

In this chapter the essential marketing principles for non-profit organisations as viewed by marketing managers were examined. It was confirmed that marketing is a necessity for NPOs. The participants furthermore agreed that all the identified marketing principles as listed in Table 4.2 are essential for NPOs. It became evident that NPOs should become more marketing-oriented and that they should implement marketing strategies. From the responses from the participants, it was also apparent that a lack of marketing expertise as well as inadequate leadership and management skills are prevalent in the NPO sector.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The aim of this chapter is to summarise the findings from the empirical investigation on ‘the essential marketing principles for non-profit organisations as viewed by marketing managers’, and to present the conclusions emanating from these findings. The chapter will also offer recommendations that could improve the marketing endeavours for NPOs, while suggestions for future research will also be made.

5.2 CONCLUSIONS AND RECOMMENDATIONS

The following section will consist of the conclusions and the recommendations made as a result of the findings of the empirical investigation (see Chapter 4). The format will be in accordance with that of Chapter 4, namely:

- Reasons why NPOs have funding challenges
- Factors that will ensure the sustainability of NPOs
- Reasons why marketing has become a necessity for NPOs
- Essential marketing principles for NPOs

5.2.1 Identification details

This section will discuss the formal qualifications of the participants as well as the years of experience they had in the NPO sector and in the marketing field.

Conclusions:

- Only a minority of the participants had a formal qualification in marketing, communication or public relations. According to this finding, it can be concluded that people who are responsible for marketing in NPOs are not formally qualified in the field of marketing, communication or public relations.

- According to the years of experience of the participants, the conclusion can be drawn that marketing managers in NPOs have experience in both the NPO sector and the marketing field, ranging from 1 to 30 years.

5.2.2 Theme 1: Reasons why NPOS have funding challenges

Key findings

Sub-theme 1: Global economic crisis

The participants cited the unfavourable economic circumstances, globally and in South Africa, as one of the main reasons for the decrease in funding by individuals, companies and international agencies:

- Individuals had less money to donate as their first priority was to care for their family's needs.
- The corporate sector donated less as they were cutting their budgets. They had more defined priority focus areas and demonstrated a weariness and gatekeeping due to the large number of funding applications they continued to receive.
- International donations also decreased because of the global economic crisis.

Sub-theme 2: Growth of the NPO sector

The participants indicated that the increase in the number of NPOs caused funding challenges for the NPO sector. More NPOs were established due to the escalating poverty levels in South Africa in particular. It resulted in too many NPOs having to share the available funding resources, which in turn, led to fierce competition among the NPOs. Many of the emerging non-profit organisations were not even properly defined to provide services, but they too shared the resources, according to the participants.

Sub-theme 3: Change in donor behaviour

According to the participants, the changing giving culture of South Africans and the saturated donor market contributed to the funding crisis of NPOs.

- Participants noted that for a large part of South Africa's population, being a donor was not a natural occurrence. Many people were unaware of the work being done by NPOs, until confronted with a social dilemma. The percentage of people who donate was very small and many non-profit organisations targeted the same group of people and companies for contributions.
- Similarly, the participants referred to the prevalence of "donor fatigue", because a small number of donors were approached by an increasing number of NPOs. Furthermore, many donors were aging and their contributions decreased accordingly, as they retired or passed away. Among this small group of donors there were also people who lost their work or had to take care of their children and their families, and they had to stop their contributions to a charity. Bequests also reduced, as pensioners were already using all their available money to live, and to care for their families.
- NPOs faced difficulties to develop new target markets in the donor market. NPOs should learn how to attract the younger market. The emerging black middle class are now only starting to build their own wealth. In the black culture it is also more acceptable to take care of their own family than to give money to charities.
- The participants indicated that companies were not eager to fund or make donations to faith-based NPOs.
- Participants indicated that government funding was insufficient because of the complex relationship between government and NPOs. In the past the government relied on international funding for NPOs which had an adverse effect on their relationship with NPOs.

Sub-theme 4: Insufficient marketing and fundraising expertise

According to the participants, the NPOs faced funding challenges because they had insufficient marketing and fundraising expertise:

- The participants indicated that NPOs did not understand marketing principles, such as branding, communication, targeted marketing and relationship marketing and the link between marketing and fundraising.
- The participants indicated that a lack of resources and expertise in marketing and fundraising contributed to the lack of funding for NPOs.

Sub-theme 5: Leadership crisis

The majority of participants believed that a lack of leadership and insufficient management skills were two key reasons for the funding challenges of NPOs:

- The participants referred to the fact that NPOs did not transfer leadership skills within the organisation and that boards were not mission-driven and did not transform to ensure sustainability. They also did not fulfil their role as advocates of the NPO sector.
- The participants indicated that the management skills in NPOs were insufficient. The organisations were not implementing business and marketing principles to ensure sustainability.
- The participants were of the opinion that NPOs should be more innovative to be sustainable.

The following **key conclusions** can be drawn from the preceding findings:

- The global economic crisis of 2008 caused a decrease in funding from individuals, companies and international agencies.
- The number of NPOs globally increased which caused non-profit organisations to compete for the already scarce resources.
- The behaviour of donors markets has changed. The traditional donor market is ageing and the current middle class is becoming poorer.
- The donor markets are overwhelmed with the need in South Africa and more and more organisations are calling upon them for support. This leads to what NPOs describe as “donor fatigue”.
- The government’s funding structure and its impaired relationship with NPOs resulted in the insufficient funding of NPOs.
- Donor companies are overwhelmed by all the funding applications they receive from the NPOs. They are reluctant to meet with NPOs and their criteria for funding have become very specific, eluding the majority of NPOs. They are also reluctant to fund faith-based organisations.
- The majority of NPOs do not have a marketing orientation that could give them the context in which they could implement successful marketing strategies. There is a lack of commitment from management and employees.

- Many NPOs do not understand the basic marketing principles that are necessary to apply effective marketing strategies.
- Many NPOs do not allocate sufficient resources for the implementation of marketing activities.
- The lack of leadership and management skills relates to the funding challenges of NPOs. The NPOs and their leadership lack innovation, transformation, advocacy and good governance.
- There are a number of NPOs that have a negative reputation because of insufficient financial management and a lack of accountability.

Based on these conclusions, the following **recommendations** are made:

- Government should exercise more control over the registration of new NPOs.
- Government should monitor existing NPOs to establish whether or not they meet the statutory requirements of the NPO Act.
- The South African Revenue Services (SARS) should monitor the NPOs in terms of their registration requirements as a public benefit organisation (PBO).
- NPOs should engage in research to pursue new donor markets.
- Government should enter in partnership with NPOs to render statutory services and to fund the real cost of the service.
- Government should outsource those services that could be rendered more cost-effectively by NPOs.
- Funding from government, the corporate sector and international agencies should be coordinated to cover all the focus areas in the NPO sector and not just education.
- Training programmes should be specifically developed for NPOs to train marketers and fundraisers for this sector.
- The leadership in NPOs should be developed and refined.
- NPOs should appoint competent managers with sufficient management, business and marketing skills.
- NPOs should invest in developing the skills of their existing managers.
- Funders should invest in the funding of management and marketing activities and capacity building.

5.2.3 Theme 2: Factors that will ensure the sustainability of NPOs

Sub-theme 1 - Good governance

The participants agreed that NPOs should be well managed to attract donations. They emphasised the importance of sound financial management and accountability to ensure that donors and/or funders can trust NPOs with their money.

Sub-theme 2 - Income-generation

The participants indicated that NPOs should consider income-generating activities to remain sustainable.

Sub-theme 3 - Quality service

Participants said that NPOs should deliver quality services that are accountable and attractive to funders.

Sub-theme 4 - Building relationships

Participants indicated that building quality relationships through networking and partnerships would ensure sustainability for NPOs.

Sub-theme 5 - Marketing and communication

The participants reported that marketing and communication was essential for NPOs to be sustainable. NPOs should communicate their need for funding and once they received funding, they should give feedback on how these funds were spent. This approach should be part of an integrated marketing and communication strategy and plan.

From the preceding findings, the following **conclusions and recommendations** can be made:

- NPOs are not sustainable due to insufficient leadership and management skills.
- NPOs could become self-sustainable by implementing income-generating activities.
- NPOs should deliver a quality 'product' to attract and maintain funding.

- NPOs should build quality relationships with donors and partners.
- Strategic leadership and management skills in NPOs should be promoted to ensure both a business and market-orientation in the NPO sector.
- NPOs should invest in creating and building a strong brand and establishing quality relationships with all stakeholders.
- NPOs should generate an income by establishing social enterprises.
- Funders should invest in the development of leadership, management skills, technology and the marketing of NPOs instead of only investing in the services or beneficiaries.

5.2.4 Theme 3: Reasons why marketing has become a necessity for NPOs

The following factors were given by participants as reasons why marketing has become a necessity for NPOs:

Sub-theme 1: To raise funds

Participants reported that NPOs should market their product to donors or funders in order to raise funds, because marketing formed an essential part of fundraising.

Sub-theme 2: To communicate effectively

The participants commented that communication was essential for NPOs to send specific messages to their target groups as part of an integrated marketing strategy.

Sub-theme 3: To build a brand

The participants indicated that marketing was essential for NPOs to build the brand of the organisation. NPOs should also market their value proposition that would give them the edge in competing with other NPOs.

From these findings, the following **conclusions and recommendations** can be made:

Conclusions:

- Marketing is the foundation for successful fundraising.
- Marketing includes an effective communication strategy to target different markets for their support.

- Building a strong brand will create brand awareness for NPOs to stay in the minds of people and promote their reputation.

Recommendations:

- NPOs should have marketing expertise to guide and support their fundraising activities.
- NPOs should have an integrated marketing and communication strategy.
- NPOs should build a strong brand to create awareness and be competitive.

5.2.5 Theme 4: Essential marketing principles for NPOs**Sub-theme 1 - Relationship marketing**

All the participants agreed that relationship marketing was the most essential marketing principle for NPOs. They made the following statements:

- Relationship marketing related to the underlying principle of fundraising which was the reason why NPOs needed to market themselves.
- NPOs had to establish an emotional connection with the customer (donor) to build trust and integrity for the donor to make a donation.
- Relationship marketing would ensure a personalised relationship with the customer that would develop by regular communication. People give to people, not to an organisation.

Sub-theme 2 – Market orientation

All the participants agreed that NPOs should be market-oriented to be successful in marketing. More specifically, they indicated the following:

- A market orientation meant that top management was involved in the development of a marketing strategy as part of the overall business strategy of the organisation, and to ensure that the organisation reached their vision and goals. Organisations that were market-oriented had a better chance to be sustainable.

- The market-oriented organisations ensured that all partners and staff members shared in the marketing strategy by aligning their activities with the marketing activities and also realised their role as ambassador of the organisation.
- The lack of expertise, passion and professionalism in the marketing of an organisation had a negative impact on the market orientation of the organisation.

Sub-theme 3 – Understanding the marketplace

The participants all agreed that it was essential for NPOs to understand the marketplace by conducting market research.

- The participants indicated that understanding the marketplace would enable the NPOs to meet the needs of their target markets and to develop a strategy for each target market.
- The importance to understand the marketplace in terms of the external environment was also outlined by the participants. NPOs should be aware of the current trends, and should seek for new opportunities and adapt to the ever-changing environments.

Sub-theme 4 – Understanding the concept of consumer

All the participants reported that NPOs had more than one market that could be seen as the 'consumer':

- The participants primarily identified the beneficiary as the direct consumer and the donor as the indirect consumer.
- A number of the participants also identified other consumer markets such as staff members, the boards, other organisations, churches, schools, government and the community. The fact that an NPO had many stakeholders contributed to a broader definition and understanding of the concept of consumer.

Sub-theme 5 – Market segmentation

Market segmentation was also mentioned as essential for NPOs to identify their target markets:

- The participants reported that the primary target markets of NPOs were the beneficiaries and the donor markets, and that the donor markets should be further segmented according to, amongst others, demographic and behavioural criteria.
- The participants also indicated that market segmentation was vital to align the organisation's communication messages and channels with the characteristics of each segment.

Sub-theme 6 – Differentiation and positioning

The response of all the participants was that NPOs had to differentiate themselves from others and that they should choose their unique value proposition to compete successfully with other NPOs for funding:

- It was found to be a huge challenge for the participants to understand how organisations can differentiate themselves from other organisations. According to them many NPOs deliver the same type of services and NPOs in general work together or are affiliated to a body or are partners in the sector. The participants' experiences were that differentiation was complex and that the competition was counteracting good working relationships.

Sub-theme 7 – Pricing

The majority of the participants were not sure if pricing was essential for marketing in the NPO sector, but subsequently their responses did indicate that certain aspects of pricing were indeed indispensable. The concept of pricing was perhaps an unusual term in the sector. However, several participants thought that when considering competition, pricing would eventually become essential:

- The participants referred to the cost of the product as determined by the budget as the "price".
- The participants said that the NPOs usually under-budgeted their total costs, because they were used to working with shortages.
- The results showed that the "price" for the donor/funders could be seen more in the impact that the donation would have than the actual cost of the service.

- The donor too would like to have options in terms of the amount needed by the NPO, and what difference such an amount would make.
- Some participants referred to the benefits of tax reduction as part of the “price”.

Sub-theme 8 – Branding

All the participants agreed that building a strong brand would enhance the success of the organisation and that branding was an essential marketing principle. Branding was seen as a way of differentiating the organisation from others and to increase the organisation’s visibility to the donors:

- The participants believed that the brand was more than the visual component; and that it was the brand personality that communicated the message and values that mattered.
- The participants also indicated that branding could only be successful if it was used consistently.
- According to the views of the participants, NPOs lacked the expertise and the capacity to effectively build the brand of the organisation. The NPOs also worked with very complex situations that made branding even more difficult, such as removing children from their families in cases of child abuse.

Sub-theme 9 – Communication strategy

The participants all agreed that a communication strategy was an essential marketing principle and part of the integrated marketing strategy of an organisation. A communication strategy determines the key messages of the organisation, as well as the communication channels that will be used to effectively reach the target markets of the organisation.

- The internal markets of an organisation (boards- and staff members, volunteers, beneficiaries) are a very important target market and a communication strategy and internal communication can get everyone on board to establish the culture of the organisation.
- Visual communication has emerged as an instrumental factor in an era where information overload is prevalent. Communication should thus be creative and professional.

- The participants' experiences were that many NPOs did not have a communication strategy or did not execute their strategy due to a lack of capacity, knowledge or funds. Some NPOs used consultants to develop strategies for them, but they themselves were still not capable of executing the strategy.

Sub-theme 10 – Communication channels

The participants agreed that NPOs should communicate through those channels that the target markets of the organisation would most probably use. The participants also considered these channels as an essential marketing principle:

- Having said that, the participants also reported that NPOs did not have a wide choice of channels, because they generally used what was available and affordable. The NPOs therefore opted mainly for digital media because it is affordable. They also used radio, print media, events, personal contact and volunteers to communicate to their target markets.

Sub-theme 11 – Customer and partner relationships

The customer and partner relationships concept relates to the first principle of relationship marketing. All the participants once again agreed that this concept was an essential principle in marketing:

- Along with the first principle is the importance of partnerships. The participants were of the opinion that partners should be chosen carefully and be confirmed with a Memorandum of Understanding (MOU). NPOs can provide so much more in a partnership and they can use each other's platforms.

Sub-theme 12 – Ethical marketing

The majority of participants agreed that ethical marketing was non-negotiable for NPOs in particular:

- One participant was not sure what was meant by ethical marketing and said that NPOs were not much different from the business sector – NPOs should be free to market their organisations in the most effective manner.

- The general response was that organisations worked with trust money and that they should thus be transparent and reliable.
- NPOs should be ethical in all their functions, not only in marketing. NPOs can ensure the public of their ethical practices by regular external auditing, monitoring and evaluation and due diligence investigations.
- The participants commented on the lack of ethical leadership in South Africa and that people were in general skeptical towards public entities. They recommended that organisations should implement ethical codes throughout the organisation.
- The participants indicated that NPOs in most cases worked with vulnerable minority groups such as children in need and persons with disabilities. NPOs should be aware of the exploitation of these people, especially during marketing activities.
- NPOs should also be honest in delivering their services and when providing statistical information. They should be careful to over-promise and under-deliver.

The following **key conclusions** are relevant:

- Relationship marketing is the most essential marketing principle. Developing and maintaining quality relationships with all relevant stakeholders are crucial for NPOs to gain the support of funders.
- Relationship marketing is an acceptable and achievable concept which NPOs can use to market their organisations.
- A market orientation creates the conceptual framework for NPOs to implement marketing and fundraising strategies.
- Marketing is based on thorough research on the internal and external markets of an organisation and the influence of the external environmental factors on the organisation.
- The concept of consumer for an NPO is much broader than what the concept constitutes for profitable companies. For an NPO, the consumer includes all the NPO's different target publics such as the beneficiary, donor, volunteer, and the employees.

- People live in a time of an information overload and marketing should be focused on specific target markets according to market segmentation. The different donor markets should be sub-categorised in terms of demographic, geographic, and other criteria.
- The principle of differentiation and positioning is essential to the value proposition of the NPO to attract donor markets.
- Price as an essential principle for NPOs is debatable, because donors in general are more interested in the impact of their donation than the cost of services or the tax benefits, but it differ according to the type of donor.
- Branding as a marketing principle is essential for NPOs to build a strong image and a favourable reputation.
- The communication strategy as part of an integrated marketing strategy is essential to ensure effective communication to all stakeholders..
- The right communication channels are essential for NPOs to reach their target markets.
- It is essential to be ethical in marketing to protect the beneficiaries and to build trust and integrity.
- NPOs do not have the skills and resources in leadership and marketing to apply the essential marketing principles.

Recommendations:

In terms of marketing, it is essential for NPOs to:

- apply the concept of relationship marketing to effectively market their organisations;
- be market-orientated to create an organisational framework to conduct an integrated marketing, communication and fundraising strategy;
- invest in market research to understand all the internal and external factors that could have an impact on their marketing and fundraising activities;
- understand the different consumer markets in the NPO sector that will influence their marketing strategy;
- have different marketing strategies for the different target groups;
- differentiate and position themselves in the NPO sector to attract funding;

- calculate their services and communicate the benefits in order to sell their product to funders;
- create a strong brand and a sound reputation;
- implement an effective communication strategy as part of an integrated marketing strategy;
- choose the right communication channels to reach their specific target markets;
- be ethical in the marketing and other activities of the organisation;
- have marketing expertise to conduct an integrated marketing strategy based on the aforementioned principles; and
- have adequate resources to implement the marketing activities.

5.3 RECOMMENDATIONS FOR FUTURE RESEARCH

Based on the findings from this study the following recommendations for further studies can be made;

- Addressing the accountability of the leadership of NPOs
- Develop a framework for market-orientated NPOs
- Delve deeper into the marketing principles for NPOs in order to develop a strategy for non-profit marketing
- Develop new business models for NPOs to ensure sustainability

5.4 FINAL CONCLUSION

The relatively small sample size of this study places limits on our ability to generalize these findings. Nonetheless, this study established that marketing for NPOs is an operational requirement for organisations to survive in the current competitive environment. NPOs should become more market-orientated. The essential marketing principles for non-profit marketing were established, but it also revealed the lack of marketing expertise and the insufficient leadership and management skills in the NPO sector. More innovative business models are required for the NPO sector.

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APPENDIX A

CONSENT TO PARTICIPATE IN RESEARCH



UNIVERSITEIT • STELLENBOSCH • UNIVERSITY
jou kennisvennoot • your knowledge partner

STELLENBOSCH UNIVERSITY CONSENT TO PARTICIPATE IN RESEARCH

ESSENTIAL MARKETING PRINCIPLES FOR NON-PROFIT ORGANISATIONS: VIEWS OF MARKETING MANAGERS

You are asked to participate in a research study conducted by Mrs Annemarie Bezuidenhout (B.Diac.Hons in Social Work), a student from the Department of Social Work at Stellenbosch University. The results of the study will be contributed to a thesis. You were selected as a possible participant in this study because you are a marketing manager and the researcher would like to investigate your view on the essential principles of marketing for non-profit organisations.

1. PURPOSE OF THE STUDY

The aim of the study is to gain an understanding of essential marketing principles for non-profit organisations from the point of view of marketing managers.

2. PROCEDURES

If you volunteer to participate in this study, we would ask you to do the following things:

To participate in a semi-structured one-to-one interview of 45- 60 minutes with the researcher.

- The interview will be based on an interview schedule with formulated questions.
- The questions will be made available to the participants beforehand.
- The questions will be in the context of the literature review and the expertise of the participant.
- The interview will be recorded and the researcher will take field notes.
- The interview will take place in the office of the participant.

3. POTENTIAL RISKS AND DISCOMFORTS

The participant are not required to disclose any information regarding the marketing strategies of any specific organization or business, but only personal views on marketing principles.

4. POTENTIAL BENEFITS TO SUBJECTS AND/OR TO SOCIETY

The participants will be able to use the results of the study when working specifically with Non-Profit organisations as there are little studies done on this topic.

The Non-Profit sector will mainly benefit from this study in designing effective marketing strategies for their organisations.

5. PAYMENT FOR PARTICIPATION

There will be no payment for conducting this interview.

6. CONFIDENTIALITY

Any information that is obtained in connection with this study and that can be identified with you will remain confidential and will be disclosed only with your permission or as required by law. Confidentiality will be maintained by means of coding and data will be kept safe in the home of the researcher. The interviews will be audiotaped and you will have the right to review or edit the information. The data will be erased when the research has been accepted.

7. PARTICIPATION AND WITHDRAWAL

You can choose whether to be in this study or not. If you volunteer to be in this study, you may withdraw at any time without consequences of any kind. You may also refuse to answer any questions you don't want to answer and still remain in the study. The investigator may withdraw you from this research if circumstances arise which warrant doing so.

8. IDENTIFICATION OF INVESTIGATORS

If you have any questions or concerns about the research, please feel free to contact myself or my supervisor at the Stellenbosch University:

Researcher:

Annemarie Bezuidenhout
1 Church Street
Durbanville
021-057 7130 or 083 708 2049

Supervisor:

Prof Lambert Engelbrecht
Department of Social Work
Room 472 Arts and Social Science Building
Merriman Avenue
Stellenbosch
021-808 2073

9. RIGHTS OF RESEARCH SUBJECTS

You may withdraw your consent at any time and discontinue participation without penalty. You are not waiving any legal claims, rights or remedies because of your participation in this research study. If you have questions regarding your rights as a research subject, contact Ms Maléne Fouché [mfouché@sun.ac.za; 021 808 4622] at the Division for Research Development.

SIGNATURE OF RESEARCH SUBJECT OR LEGAL REPRESENTATIVE

The information above was described to the participant by Annemarie Bezuidenhout in English and the participant is in command of this language or it was satisfactorily translated to you. The participant was given the opportunity to ask questions and these questions were answered to your satisfaction.

I hereby consent voluntarily to participate in this study. I have been given a copy of this form.

.....

Name of Subject/Participant

.....

Name of Legal Representative (if applicable)

.....

Signature of Subject/Participant or Legal Representative

.....

Date

SIGNATURE OF INVESTIGATOR

I declare that I explained the information given in this document to

[*name of the subject/participant*] and/or [his/her] representative

[*name of the representative*]. [*He/she*] was encouraged and given ample time to ask me any questions.

This conversation was conducted in [*Afrikaans/*English/*Xhosa/*Other*] and [*no translator was used/this conversation was translated into* by

.....

Signature of Investigator

.....

Date

APPENDIX B

SEMI STRUCTURED QUESTIONNAIRE

UNIVERSITY OF STELLENBOSCH

DEPARTMENT OF SOCIAL WORK

INTERVIEW SCHEDULE

ESSENTIAL MARKETING PRINCIPLES FOR NON-PROFIT ORGANISATIONS (NPOs): VIEWS OF MARKETING MANAGERS

All the information recorded in this interview will be regarded as confidential. The views and personal information provided by the participants will be kept anonymous. Please answer the questions as open and honest as possible.

1. IDENTIFYING DETAILS

- 1.1 What formal qualification do you have in marketing, public relations or communication?
- 1.2 How many years' experience do you have in the marketing and/or NPO field?
Experience in marketing:
Experience in NPO sector:

2. FUNDING CHALLENGES OF NPOs:

- 2.1 What do you see as the main reasons why NPOs are having funding challenges? (for example the decline in financial resources)
- 2.2 What factors, such as good governance, will ensure the sustainability of NPOs?

3. Why, in your opinion, has marketing become a necessity in a NPO?

4. ESSENTIAL MARKETING PRINCIPLES FOR NPOs:

- 4.1 Do you think relationship marketing is essential to NPOs?
Why?
How can that be accomplished?
- 4.2 Do you think it is essential for a NPO to be market orientated?
Why?
How can that be accomplished?
- 4.3 Do you think it is essential for NPOs to understand the marketplace?
Why?
How can that be accomplished?

- 4.4 Do you think it is essential for NPOs to understand the concept of consumer?
Why?
How can the consumer of a NPO be described in marketing terms?
- 4.5 Do you think market segmentation is an essential marketing principle of NPOs?
Why?
How can that be accomplished?
- 4.6 Do you think differentiation and positioning is an essential principle for NPOs?
Why?
How can that be accomplished?
- 4.7 Do you think pricing is an essential principle for NPOs?
Why?
How can that be determined in a NPO?
- 4.8 Do you think it is essential for NPOs to build their brand?
Why?
How can that be accomplished?
- 4.9 Do you think that it is essential for NPOs to have a communication strategy?
Why?
How can that be accomplished?
- 4.10 Do you think it is essential for NPOs to choose the right communication channels?
Why?
How can that be accomplished?
- 4.11 Do you think it is essential for NPOs to build quality customer and partner relationships?
Why?
How can that be accomplished?
- 4.12 Do you think ethical marketing is essential in NPOs?
Why?
How can that be accomplished?
- 5. Do you have any suggestions on any other marketing principles that you think are essential in marketing of non-profit organisations?**
- Why?*
How can that be accomplished?

Thank you very much

APPENDIX C

APPROVAL OF RESEARCH ETHICS COMMITTEE



UNIVERSITEIT • STELLENBOSCH • UNIVERSITY
jou kennisvenoot • your knowledge partner

Approval Notice

Stipulated documents/requirements

15-Jun-2016

Bezuidenhout, Annemarie A

Proposal #: SU-HSD-001822

Title: ESSENTIAL MARKETING PRINCIPLES FOR NON-PROFIT ORGANISATIONS: VIEWS OF MARKETING MANAGERS

Dear Ms Annemarie Bezuidenhout,

Your Stipulated documents/requirements received on 27-Jun-2016, was reviewed and **accepted**.

Please note the following information about your approved research proposal:

Proposal Approval Period: 09-Dec-2015 - 08-Dec-2016

General comments:

Please take note of the general Investigator Responsibilities attached to this letter.

If the research deviates significantly from the undertaking that was made in the original application for research ethics clearance to the REC and/or alters the risk/benefit profile of the study, the researcher must undertake to notify the REC of these changes.

Please remember to use your **proposal number (SU-HSD-001822)** on any documents or correspondence with the REC concerning your research proposal.

Please note that the REC has the prerogative and authority to ask further questions, seek additional information, require further modifications, or monitor the conduct of your research and the consent process.

This committee abides by the ethical norms and principles for research, established by the Declaration of Helsinki and the Guidelines for Ethical Research: Principles Structures and Processes 2015 (Department of Health). Annually a number of projects may be selected randomly for an external audit.

National Health Research Ethics Committee (NHREC) registration number REC-050411-032.

We wish you the best as you conduct your research.

If you have any questions or need further help, please contact the REC office at 218089183.

Sincerely,

Clarissa Graham

REC Coordinator

Research Ethics Committee: Human Research (Humanities)

Investigator Responsibilities

Protection of Human Research Participants

Some of the general responsibilities investigators have when conducting research involving human participants are listed below:

1. Conducting the Research. You are responsible for making sure that the research is conducted according to the REC approved research protocol. You are also responsible for the actions of all your co-investigators and research staff involved with this research. You must also ensure that the research is conducted within the standards of your field of research.

2. Participant Enrolment. You may not recruit or enrol participants prior to the REC approval date or after the expiration date of REC approval. All recruitment materials for any form of media must be approved by the REC prior to their use. If you need to recruit more participants than was noted in your REC approval letter, you must submit an amendment requesting an increase in the number of participants.

3. Informed Consent. You are responsible for obtaining and documenting effective informed consent using only the REC-approved consent documents, and for ensuring that no human participants are involved in research prior to obtaining their informed consent. Please give all participants copies of the signed informed consent documents. Keep the originals in your secured research files for at least five (5) years.

4. Continuing Review. The REC must review and approve all REC-approved research proposals at intervals appropriate to the degree of risk but not less than once per year. There is **no grace period**. Prior to the date on which the REC approval of the research expires, **it is your responsibility to submit the continuing review report in a timely fashion to ensure a lapse in REC approval does not occur**. If REC approval of your research lapses, you must stop new participant enrolment, and contact the REC office immediately.

5. Amendments and Changes. If you wish to amend or change any aspect of your research (such as research design, interventions or procedures, number of participants, participant population, informed consent document, instruments, surveys or recruiting material), you must submit the amendment to the REC for review using the current Amendment Form. You may not initiate any amendments or changes to your research without first obtaining written REC review and approval. The **only exception** is when it is necessary to eliminate apparent immediate hazards to participants and the REC should be immediately informed of this necessity.

6. Adverse or Unanticipated Events. Any serious adverse events, participant complaints, and all unanticipated problems that involve risks to participants or others, as well as any research related injuries, occurring at this institution or at other performance sites must be reported to Malene Fouche within **five (5) days** of discovery of the incident. You must also report any instances of serious or continuing problems, or non-compliance with the REC's requirements for protecting human research participants. The only exception to this policy is that the death of a research participant must be reported in accordance with the Stellenbosch University Research Ethics Committee Standard Operating Procedures. All reportable events should be submitted to the REC using the Serious Adverse Event Report Form.

7. Research Record Keeping. You must keep the following research related records, at a minimum, in a secure location for a minimum of five years: the REC approved research proposal and all amendments; all informed consent documents; recruiting materials; continuing review reports; adverse or unanticipated events; and all correspondence from the REC

8. Provision of Counselling or emergency support. When a dedicated counsellor or psychologist provides support to a participant without prior REC review and approval, to the extent permitted by law, such activities will not be recognised as research nor the data used in support of research. Such cases should be indicated in the progress report or final report.

9. Final reports. When you have completed (no further participant enrolment, interactions, interventions or data analysis) or stopped work on your research, you must submit a Final Report to the REC.

10. On-Site Evaluations, Inspections, or Audits. If you are notified that your research will be reviewed or audited by the sponsor or any other external agency or any internal group, you must inform the REC immediately of the impending audit/evaluation.